

**UNIVERSITY OF KWAZULU-NATAL**

Procurement as an Instrument for Radical Local Economic Transformation: Case Study of  
Transnet Port Terminals

Zine Icheku

**Student Number:** 213572298

**Graduate School of Business and Leadership**

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**MASTER OF COMMERCE IN LEADERSHIP STUDIES**

Supervisor

Dr Pfano Mashau

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## DECLARATION

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I Zine Icheku declare that:

- The research reported in this thesis was carried out in the College of Law and Management, Graduate School of Business and Leadership, University of KwaZulu-Natal, under the supervision of Dr. Pfano Mashau.
- This study, except where otherwise indicated, is my original work.
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## ACKNOWLEDGEMENTS

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## **ABSTRACT**

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The implementation of radical economic transformation as initiated by the government of South Africa has been hinged on the fulcrum of supply chain management (SCM) processes particularly procurement processes in state-owned enterprises (SOEs) of which Transnet Port Terminals (TPT) is one. Primarily procurement is concerned with acquisition of goods and services for the running of businesses. As a secondary function, it can be used as a vehicle to transfer skills necessary for economic empowerment from providers of goods and services to local entities.

This study drew upon the concept of targeted procurement and two complimentary theories of governance, and enforced cooperation. Targeted Procurement has been used in South Africa mainly to target those segments and groups of the society that were disadvantaged under the apartheid system. It has also been used to support local economic development, to promote growth within the small business sector and to target the unemployed through poverty alleviation programmes. Targeted Procurement also promotes business linkages between large and small scale enterprises. Sanctions are supposed to be applied on contractors who, in the execution of their contracts, failed to deliver their contracted social deliverables. In this way, the government can make use of private sector expertise and knowledge of the markets to develop targeted groups in the most effective way possible. Targeted Procurement is executed within a defined governance framework. Thus, the theory of governance provides a clearer understanding of the context within which it is implemented and the challenges associated with it. Difficulties and challenges become more intense in the pursuit of collective actions when regimes propose more radical and socially inclusive change. These dilemmas can be resolved by bringing some form of authoritative control. This can be done by the enforcement of compliance and cooperation. This is even more critical in situations in which actors may not cooperate where there is lack of effective central control to enforce cooperation on them or where there is no common overriding motive to benefit the welfare of the community.

This study is a practitioner research which is an aspect of action research (AR). The primary purpose of the researcher is to improve existing practices and produce information to implement and enhance what is already in place. Qualitative methods were used to examine how procurement can be used as instrument of radical local economic development and transformation using TPT as a case study. A purposive sampling technique was employed by the researcher to select key informants who were involved in TPT procurement, as well as key informants from contractor entities that provide services to TPT and businesses owned by PDIs. Semi-structured personal interviews, focus group discussions, and document review as tools for data collection. Documents such as minutes of meetings, policy documents, contractual documents and agreements enriched the analysis of the processes and content of TPT ESD programmes. Desk research, needs and market analysis by cross-functional teams (CFT), and analysis of monitoring and evaluation of the performances of beneficiaries of ESD initiatives were used.

This study found that there are reasonably high levels of knowledge and understanding of radical economic transformation as a concept. There were failings in the contribution of TPT to ET particularly in the areas of local content and localization. However, to a certain extent, TPT has been successful in promoting ET by vigorously developing emerging black owned enterprises to become bigger suppliers to Transnet thus improving the transformation process. There were also challenges that confront TPT in using its procurement process to contribute to the implementation of ET policies. Policy and procedural hiccups were common challenges.

For example, PPPFA is not fully applied, tendering templates are complicated for small commodities, and there is apparent lack of will power of the management and employees to pursue transformation, among others. It was also noted that at this stage, TPT cannot really pursue Radical Economic Transformation as it primarily exists as a political concept that has not been translated into policy document or linked to legislation. However, TPT can play a role in pursuit of RET within the current policy and legislative frameworks by deliberate efforts and investments in SMEs, as well as by monitoring ESD subcontracting more vigorously and enforce consequences for non-compliance. Suggestions were made as to how TPT procurement can become more amenable to RET. ESD which is a critical aspect of empowerment can become a veritable instrument for RET. However, ESD in its current form and execution has been bedevilled by the challenges that faced previous ET policies. Nevertheless, ESD can contribute to RET if correctly implemented. Government's transformation agenda depends on effective implementation of proposed policies in order to achieve desired transformation and serious and effective sanctions against violations and circumventions of RET principles.

## ABBREVIATIONS

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ANC	African National Congress
AR	Action Research
B-BBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BWO	Black Woman Owned
BYO	Black Youth Owned
CFT	Cross Functional Team
CPO	Chief Procurement Officer
CSDP	Competitive Supplier Development Programme
CSIR	Council of Scientific and Industrial Research
DCCI	Durban Chamber of Commerce and Industry
DPE	Department of Public Enterprise
DPLG	Department Provincial and Local Government
DTI	Department of Trade and Industry
ED	Enterprise Development
EME	Emerging Micro Enterprises
ET	Economic Transformation
ESD	Enterprise and Supplier Development
FGD	Focussed Group Discussion
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
IDP	Integrated Development Plan

IPAP	Industrial Policy Action Plan
ISP	Incubation Support Programme
JSE	Johannesburg Stock Exchange
LED	Local Economic Development
NDP	National Development Plan
NEF	National Empowerment Fund
NGO	Non-Governmental Organisations
NGP	New Growth Path
OD	Operating Division
PDI	Previously Disadvantaged Individuals
PDG	Previously Disadvantaged Groups
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
PWD	People with Disabilities
QSE	Qualifying Small Enterprise
RET	Radical Economic Transformation
RL	Reverse Logistics
RTG	Rubber-tire-grantries
SA	South Africa
SLA	Service Level Agreement
SCM	Supply Chain Management
SD	Supplier Development
SEDA	Small Enterprise Development Agency
SETA	Sectoral Education and Training Authorities

SME	Small Medium Enterprise
SMME	Small Medium Micro Enterprises
SOC	State Owned Company
SOE	State Owned Enterprise
SONA	State of the Nation Address
TE	Transnet Engineering
TPT	Transnet Port Terminals
US	United States
YPT	Young Professional in Training

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## CHAPTER ONE: INTRODUCTION AND THEORETICAL FRAMEWORK

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### 1.1 INTRODUCTION

Radical local economic transformation as initiated by the government of South Africa became necessary because the majority of previously disadvantaged individuals remain economically disempowered and generally not satisfied with economic gains that came with democratic reforms. This situation was due to the slow pace of legislatively prescribed economic transformation and implementation of affirmative action. Thus, radical economic transformation was being pursued as an aggressive means of transforming South Africa's economy (Zuma, 2017).

The implementation of this radical economic transformation has been hinged on the fulcrum of supply chain management (SCM) processes particularly procurement processes in state-owned enterprises (SOEs). Primarily procurement is concerned with acquisition of goods and services for the running of businesses. As a secondary function, it can be used as a vehicle to transfer skills necessary for economic empowerment from providers of goods and services to local entities (Cronje, Toit, & Motlatla, 2000). It was believed that beneficiaries of skills transfer would become a readily available pool of skilled entrepreneurs able to provide jobs for the nation's young and teeming population and thereby reconfigure ownership pattern in South Africa (Hiam et al., 2017; Pachkal, 2016).

As an SOE, Transnet Port Terminals (TPT) had a strategic role to play in realizing the goals of radical economic transformation. This study explored how TPT can contribute to radical economic transformation as not only the deliberate, and measured action of a State-owned-enterprise (SOE), but also the result of a complex interwoven and interconnected haze of factors, some of which emerge externally, and hence are not under the control of the company. This study further explored the contributions of TPT to South Africa's economic transformation against the backdrop of the social, political, cultural and economic circumstances that presented challenges to economic transformation. This study sought to investigate how TPT used Procurement to promote radical local economic development and transformation in South Africa.

This chapter is an introduction to the study. It also presented the theoretical framework upon which the study drew. The chapter is divided into ten sections. Following this introduction the second section explored the background to the study. The third section was the study's problem statement. Fourth section looked at the conceptual and theoretical framework of the study. The aim and objectives of the study were explained in the fifth section while research questions were outlined in the sixth section. The seventh section reflected on the rationale and justification for the study, while the eighth section dwelt on the research methodology adopted in the study. The contribution of the study was discussed in the ninth section and the tenth section presented an overview of the study chapters.

## **1.2 BACKGROUND TO STUDY**

Transnet Port Terminals (TPT) is one of the Operating Divisions (OD) of Transnet SOC Limited which is South Africa's state-owned freight transport company. It played "an integral role in the logistics chain by providing cargo handling, storage and warehousing services to a wide range of shipping lines, freight forwarders and cargo owners" (Transnet, 2014:104). TPT owns and operates 16 terminal operations situated in South Africa's seven ports located in Western Cape, KwaZulu-Natal and Eastern Cape. Its activities were organized into major market sectors including automotive operations, break bulk, bulk and containers (Transnet nd).

In 2013/14 financial year, TPT spent R3.6 billion on procurement. The company budgeted the total of R1,859 million for capital expenditure in 2014 broken down into R790 million for expansion projects, and R 1,069 million for maintenance projects. These "projects included the acquisition of cranes, rubber-tire-gantries (RTGs), straddle carriers, ship loaders, surfacing projects and improving employee facilities" (Transnet, 2014: 109). Over the next 7 years between 2015 and 2021, TPT will be investing the sum of R37,2 billion into port infrastructure (Transnet, 2014). This meant that TPT would engage in huge SCM transactions including procurement and reverse logistics during this period.

As noted by Shezi (2016:11):

The manner in which Transnet purchases goods and services as an organ of state must help develop and transform the local supply base. Thus it engages in targeted supplier development initiatives to support localisation and industrialisation and provide

meaningful opportunities for Black South Africans, with special focus on youth, Black women, People with Disabilities, small businesses and rural integration.

In 2016 TPT achieved a level 2 Broad-Based Black Economic Empowerment (B-BBEE) status with a score of 87.03 marginally missing level 1. B-BBEE “is a national transformation programme launched by the Government to give previously disadvantaged groups including women economic opportunities that were previously unavailable to them” (Transnet, nd:1). Opportunities provided through B-BBEE included “ownership, management, employment, skills development, preferential procurement, enterprise development and socio-economic development” (Transnet, nd:1).

With R37,2 billion to spend from 2015 to 2021, TPT can contribute further to the achievement of the goals of radical economic transformation. This study sought to explore ways that TPT can use its SCM processes to address radical economic transformation agenda, and to examine the challenges that mediate such efforts.

### **1.3 PROBLEM STATEMENT**

The legacy of inequality and unemployment has persisted in post-apartheid South Africa. To address this legacy the South African government reviewed its framework for growth and development set out in its policy for New Growth Path (NGP). The goal of the NGP was to improve creation of employment, economic growth, and equity by developing strategies that would enable South Africa to have a more equitable and inclusive development as well as increase local industrialisation and achieve its developmental agenda (Shezi, 2016; Transnet, 2014).

As part of fulfilling its social responsibility, and to support the government’s National Development Plan (NDP), Transnet has developed its own Enterprise Supplier Development (ESD) policy. This policy seeks to leverage procurement processes to skill and equip local SMMEs to participate in the economy (Shezi, 2016; Transnet, 2014).

Transnet Port Terminals (TPT) as an Operating Division (OD) of Transnet, through its ESD unit introduced various initiatives from which Emerging and Small businesses can benefit. Through this program a number of businesses owned by previously disadvantaged individuals (PDIs) have been trained and equipped for meaningful and competitive

participation in South Africa's economy. ESD was a critical element in these procurement processes (Shezi, 2016). However, it has not been shown whether TPT has the capacity to contribute to the current radical economic transformation agenda. Thus it is imperative that a study of procurement processes at TPT be carried out to explore how procurement can be used as an instrument for radical local economic development or radical transformation.

## **1.4 CONCEPTUAL AND THEORETICAL FRAMEWORK**

This study drew upon the concept of targeted procurement and two complimentary theories of governance, and enforced cooperation.

### **1.4.1 THE CONCEPT OF TARGETED PROCUREMENT**

The concept of Targeted Procurement was articulated by Watermeyer (2000) in his work "The use of Targeted Procurement as an instrument of poverty alleviation and job creation in infrastructure projects." According to Watermeyer (2000:7), Targeted Procurement has been used in South Africa mainly to target those segments and groups of the society "that were disadvantaged under the apartheid system. It has also been used to support local economic development, to promote growth within the small business sector and to target the unemployed through poverty alleviation programmes." Watermeyer (2000:7) in setting out the features of Targeted Procurement states that:

Targeted Procurement provides employment and business opportunities for marginalised/ disadvantaged individuals and communities – referred to as the "Target Groups." It 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.

Through a variety of techniques, targeted procurement provides opportunities for targeted enterprises to participate, even to those who may not have all the necessary resources, capacity or expertise to perform contracts in their own right. This was done in a manner which did not automatically guarantee contracts to such enterprises but in which small contracts of value below a predetermined financial threshold and direct preferences were tipped in favour of targeted enterprises. Targeted Procurement also promoted business linkages between large and small scale enterprises. Sanctions were supposed to be applied on contractors who, in the execution of their contracts, failed to deliver their contracted social

deliverables. In this way, the government can make use of private sector expertise and knowledge of the markets to develop targeted groups in the most effective way possible.

Targeted Procurement was executed within a defined governance framework. Thus, the theory of governance was relevant to this study in that it provided a clearer understanding of the context within which it was implemented and the challenges associated with it.

#### **1.4.2 THEORY OF GOVERNANCE**

Stoker (1998) presented a theory of governance in his work “Governance as theory: five propositions.” For him, governance was ultimately concerned with creating the conditions for ordered rule and collective action within and between public and private sectors in which boundaries had become blurred. Thus “the essence of governance is ... the creation of a structure or an order which cannot be externally imposed but is the result of the interaction of a multiplicity of governing and each other influencing actors” (Stoker, 1998:17).

Stoker (1998) structured the discussion of governance around five propositions. First, governance refers to a set of institutions and actors that are drawn both from and also beyond government. Governance perspective draws attention to increased involvement of the private and voluntary sectors in service delivery and strategic decision-making which were previously almost exclusive government responsibility.

Second, the shift in responsibility has given rise to a range of voluntary or third-sector agencies variously labelled among other names, as:

voluntary groups, non-profits, non-governmental organizations, community enterprises, co-ops, mutual, and community-based organizations. These organizations range over a wide variety of social and economic issues and operate in the context of what has been termed a ‘social economy’ that has emerged between the market economy and the public sector (Stoker, 1998:21).

Third, governance identifies the power dependence involved in the relationships between institutions involved in collective actions. Power dependence implies that among other things, organizations have to exchange resources and negotiate common purposes in order to achieve goals (Stoker, 1998). Thus, although one organization might dominate a particular

process of exchange, no single organization could easily command the entire process. For example, government or other institutions may wish to impose authoritative control, but tension will persist between this wish and government dependence on the compliance of others. Thus, from the governance perspective, governing “is always an interactive process because no single actor, public or private, has the knowledge and resource capacity to tackle problems unilaterally” (Stoker, 1998:22).

Fourth, governance is about autonomous self-governing networks of actors. The emergence of such self-governing network creates a dilemma of accountability. According to Stoker (1998:23) “an accountability deficit can be experienced at two levels: with the individual constituent elements of the network and by those excluded from any particular network.” The solution to this dilemma according to Stoker (1998:24):

would appear to rest in bringing government back in some form. The networks have a significant degree of autonomy (and indeed need that autonomy to achieve their purposes), yet government, while not occupying a sovereign position, can indirectly and imperfectly steer networks.

Difficulties and challenges become more intense in the pursuit of collective actions when regimes propose more radical and socially inclusive change (Stoker, 1998). However, Stoker’s fifth proposition is that governance recognizes the capacity to achieve common goals without recourse to government power to command or use its authority. It sees government as able to steer and guide.

Each proposition has been associated with a certain dilemma. However, these dilemmas can be resolved by bringing some form of authoritative control. This can be done by the enforcement of compliance and cooperation. Thus, the theory of governance is complimented by the theory of enforced cooperation.

### **1.4.3 THEORY OF ENFORCED COOPERATION**

The theory of enforced cooperation propounds that cooperation among actors in pursuit of collective action is driven by two main reasons. These reasons are the threat of a central authority, and common objectives or self-interest (McQuaid, 2000). It is argued that:

human minds are built by selfishness, but that they were built with the capacity to be social, trustworthy and cooperative, as this may benefit the individual. Hence, our

institutions should be designed to draw out these instincts, such as to encourage social and material exchange between equals of enfranchised and empowered individuals (McQuaid, 2000:26).

In local economic development, public or government funded agency or community-based groups which are dependent on public financing can be forced by the government to cooperate through either legislation or control of financial resources. Such financial control may be positive (validation) such as making resources (for example, grants) available or negative in which case controls such as capital-expenditure restrictions or budget controls on funded bodies serve as deterrents (McQuaid, 2000). This is even more critical in situations in which actors may not cooperate where there is lack of effective central control to enforce cooperation on them or where there is no common overriding motive to benefit the welfare of the community (McQuaid, 2000).

#### **1.4.4 APPLICATION OF THE THEORIES**

The concept and theories underpinning this study are not mutually exclusive in application. Thus they were applied complementarily in addressing the objectives of the study. However, in specific terms, the concept of Targeted Procurement was applied in:

- Assessing of the levels of knowledge of radical economic transformation.
- Evaluating whether TPT's procurement has been successful in promoting economic transformation.
- Exploring how TPT can use procurement to promote radical economic transformation.
- Exploring ways in which Transnet Port Terminals ESD programme can contribute to radical economic transformation.

The theories of Governance and Enforced Cooperation were used to analyze the challenges hindering the successful use of procurement for economic transformation by TPT.

#### **1.5 AIM OF THE STUDY**

The aim of this study was to explore how Transnet Port Terminal as a state owned enterprise can contribute to radical economic transformation using procurement. The aim of this study was achieved by pursuing the objects of the study.

### **1.5.1 RESEARCH OBJECTIVES**

The objectives of this study were:

- To assess the level of knowledge of the concept of radical economic transformation among Transnet Port Terminals procurement staff and stakeholders.
- To evaluate whether TPT has been able to use procurement to successfully promote economic transformation.
- To examine challenges that hindered the successful use of procurement for economic transformation by Transnet Port Terminal.
- To explore how TPT can use procurement to promote radical economic transformation.
- To explore ways in which Transnet Port Terminals ESD programme can contribute to radical economic transformation.

### **1.6 RESEARCH QUESTIONS**

The objectives of this study were achieved by answering the following questions:

- What is the level of knowledge of the concept of radical economic transformation among Transnet Port Terminals' procurement staff and stakeholders?
- Has Transnet Port Terminals' procurement been successful in promoting economic transformation?
- What were the challenges to successful use of procurement for economic transformation by Transnet Port Terminals?
- How can Transnet Port Terminals' procurement promote radical economic transformation?
- In what ways can Transnet Port Terminals' ESD programme contribute to radical economic transformation?

### **1.7 RATIONALE AND JUSTIFICATION FOR THE STUDY**

This is the first study to explore the role TPT can play in promoting radical economic transformation. The rationale for this study was to create awareness and fill the gap in knowledge about the role Transnet as a state owned enterprise (SOE) can play in radical economic transformation through its procurement. Procurement as a tool for economic transformation has been extensively researched. However, there was a scarcity of such studies focusing on SOEs and Transnet in particular. It was therefore necessary to carry out

this study in order to fill this knowledge gap. If this study was not conducted, the gap in the knowledge of how TPT can contribute to radical economic transformation would have persisted, and the benefits of a better understanding would not have been gained.

## **1.8 RESEARCH METHODOLOGY**

This study adopted a deductive research approach. Developed by Popper the proponent of critical rationalism, it posits that all data collection is selective and involves interpretation by the observer. Observations are always made from a point of view, with a frame of reference, with a set of expectations. Thus, to collect any useful data, it is necessary first to have some ideas about what to look for (Blaikie, 2000).

This study is a practitioner research which is an aspect of action research (AR). AR is a process of self-examination carried out by the participant either in social situation or scientific projects in order to collect information and use it to improve the rationality and fairness of their own practices, their understanding of these practices, and the situations in which the practices are carried out (Smith & Doyle, 2017). The primary purpose of the researcher was to improve existing practices and produce information to implement and enhance what was already in place (Morales, 2016).

This study used qualitative methods to examine how procurement can be used as instrument for radical local economic development and transformation using TPT as a case study. A purposive sampling technique was employed by the researcher to select key informants who were involved in TPT procurement, as well as key informants from contractor entities that provide services to TPT and businesses owned by PDIs. Thus, this study used semi-structured personal interviews, focus group discussions, and document review as tools for data collection. Documents such as minutes of meetings, policy documents, contractual documents and agreements enriched the analysis of the processes and content of TPT ESD programmes. Desk research, needs and market analysis by cross-functional teams (CFT), and analysis of monitoring and evaluation of the performances of beneficiaries of ESD initiatives were used.

A qualitative analysis was carried out drawing upon the transcripts of interviews and FGDs. These and other relevant documents and literature were also incorporated to support the validity and reliability of the findings.

## **1.9 CONTRIBUTION OF THE STUDY**

This study contributed to a better understanding of the policy of radical economic transformation, the contributions that SOEs and TPT in particular can make towards its realization. In this way, it sensitized the management and staff of TPT to the imperative and opportunities to promote radical economic transformation. The study assessed the levels of the knowledge of TPT staff about radical economic transformation, evaluated its current economic empowerment programmes to draw out their strengths and weaknesses. It also explored how TPT can pursue radical economic transformation, as well as examined possible challenges that might have been encountered in the process.

## **1.10 CHAPTERS OVERVIEW**

### **1.10.1 CHAPTER ONE: INTRODUCTION, CONCEPTUAL AND THEORETICAL FRAMEWORK**

The introductory chapter defined the scope and presented the background to the study, outlined research approach, conceptual and theoretical framework, and the aim and objectives of the study. The use of procurement as an instrument for economic transformation was briefly introduced. It further mentioned the role that TPT as a state-owned enterprise can play using its procurement processes in realizing radical economic transformation in South Africa.

This chapter also explored and described the theoretical concepts upon which this study drew. The analysis of the use of procurement as instrument for radical transformation drew upon the concept of targeted procurement and two complimentary theories of governance, and enforced cooperation.

### **1.10.2 CHAPTER TWO: LITERATURE REVIEW**

This chapter reviewed scholarly literature on the models of economic development and transformation adopted in South Africa. It provided an overview of the challenges of economic transformation given the background of structural and institutionalized marginalization of majority black population during the defunct apartheid system. It explored

the complex web of political, policy and structural contexts within which the government of South Africa sought to pursue a programme of radical economic transformation. It further reviewed previous economic transformation regimes and their lack of reasonable impact in transforming the economy.

The chapter also reviewed literature on the use of procurement processes as an instrument for radical economic transformation in South Africa. Available literature on the involvement of Transnet Ports Terminal (TPT) as a state-owned enterprise in contributing to local economic development was also reviewed. It reflected on how TPT can contribute to the radical phase of economic transformation.

### **1.10.3 CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

Chapter three presented the research design and methodology used in this study. It presented the description of relevant components of this study and detailed the methods employed in gathering evidence for this study, as well as challenges and limitations faced during the investigation. It described the context of the study, and the role of the researcher as a practitioner researcher in ESD initiatives of TPT procurement department.

This study was a qualitative research. This facilitated the assessment of interactions and relationships between various stakeholders in the pursuit of radical economic transformation and provided a nuanced presentation of the intricate interplay of factors that impacted the use of procurement in achieving radical transformation. A variety of methods including interviews, focus group discussions, observations and document reviews was adopted in gathering evidence to arrive at in-depth evaluation of TPT's use of procurement as a tool for radical transformation. The multi-method approach facilitated the gathering of evidence from diverse sources to achieve the objectives of the study. It presented a rich source of evidence allowing the researcher to understand the research subjects' interpretation of the concept and execution of radical economic transformation.

### **1.10.4 CHAPTER FOUR: RESEARCH FINDINGS**

This chapter presented the findings that emerged from this study. It fairly and adequately presented the responses and views of the respondents that participated in the study. In this chapter, presentation of respondents' responses was done verbatim. However, in a few cases

the researcher edited or modified responses to make for better readability and understanding. As much as possible, this chapter tried to capture responses from all categories of respondents to all research questions where respondents provided answers. This created a balanced and nuanced discussion and analysis of the findings in chapter five.

### **1.10.5 CHAPTER FIVE: DISCUSSION OF RESEARCH FINDINGS**

Chapter five is the discussion of research findings. It presented a discussion of the various areas of focus of this study as set out in the research questions. It discussed the respondents' knowledge and understanding of the concept of radical economic transformation, their views on how TPT was contributing to economic transformation and how it can employ its procurement processes to play a role in the ensuing pursuit of radical economic transformation.

This chapter specifically focused on the enterprise and supplier development (ESD) activities that constituted the core of TPT B-BBEE programme. It also discussed the interplay of interests of various stakeholders as well as the challenges that they posed to the use of procurement in economic empowerment and transformation encounter in TPT, and how the use procurement as instrument for radical transformation might be impacted by such interplay.

### **1.10.6 CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS**

Chapter six is the conclusion of this dissertation. It provided a brief round-up of the chapters in sequence and recapped the findings of the study. Finally, it provided recommendations deriving from the study findings. It specifically recommended that government's transformation agenda depended on effective implementation of proposed policies in order to achieve desired transformation. It further recommended serious and effective sanctions against violations and circumventions of RET principles.

## **1.11 SUMMARY**

Radical economic transformation as initiated by the government of South Africa was necessitated by the fact that a majority of previously disadvantaged individuals were still economically disempowered and dissatisfied with socio-economic gains that followed

democratic reforms. This necessity derived from the slow pace of previous affirmative action legislation to achieve economic transformation.

This introductory chapter provided a background to this study. It also clearly stated the problem that the study was to investigate which was the use of procurement as an instrument for radical economic development which in this study was taken to mean radical economic transformation.

The use of procurement as an instrument of economic transformation by state institutions generally, and Transnet Ports Terminal (TPT) in particular, occurred within some complex socio-economic and political systems. To analyse TPT's use of procurement processes as a vehicle to address the ubiquitous local economic development challenges and contribute to government's new drive to radically transform the economy, a multi-theoretical framework comprising the theory of targeted procurement and two complimentary theories of governance, and enforced cooperation was used.

Targeted Procurement was executed within a defined governance framework. Thus, the theory of governance was interlinked with targeted procurement as it provided the context within which it was implemented and the challenges associated with it. Governance is ultimately concerned with creating the conditions for ordered rule and collective action.

Governance is associated with a number of dilemmas such as the divorce between decision-making and its justification, responsibilities and scapegoating, unintended consequences, accountability and unavoidable failure. However, these dilemmas can be resolved by bringing some form of authoritative control. This can be done by the enforcement of compliance and cooperation. Thus, the theory of governance was complimented by the theory of enforced cooperation which propounds that cooperation among actors in pursuit of collective action is driven by the threat of a central authority, and self-interests of the actors.

This chapter also stated the aim and objectives of the study, the questions that the research sought to answer, the rationale and justification for the study, as well as the study's

knowledge production contribution. Finally it provided brief overviews of the chapters of the study.

## **CHAPTER TWO: LITERATURE REVIEW**

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### **2.1 INTRODUCTION**

This chapter is a review of literature which this study draws upon. It reviews scholarly literature on models of economic development and transformation. It provides an overview of the challenges of economic transformation given the background of structural and institutionalized marginalization of majority black population during the defunct apartheid system. It explores the complex web of political, policy and structural contexts within which the government of South Africa seeks to pursue a programme of radical economic transformation. The chapter also reviews literature on the use of procurement processes as an instrument for radical economic transformation in South Africa.

Available literature on the involvement of Transnet Ports Terminal (TPT) as a state-owned enterprise in contributing to local economic development is also reviewed. It reflects on TPT's enterprise and supplier development (ESD) programmes and how these can fit into the current drive by the government towards a radical phase of economic transformation.

This chapter is divided into ten sections. Following this introduction the second section deals with the legacy of apartheid era marginalization. The third section explores the concept of local economic development (LED) as an integrated approach to development, while the fourth section reviews LED path to transformation in South Africa. The fifth section reviews literature on Broad-Based Black Economic Empowerment (B-BBEE). The sixth section dwells on the question: "why radical transformation? The seventh section reviews literature on radical economic transformation while the eighth section dwells on procurement as instrument for economic transformation. In the ninth section the role of state-owned enterprises (SOE) in radical economic transformation was discussed and the tenth section reviews the activities of Transnet as a principal contributor to economic transformation.

### **2.2 THE LEGACY OF APARTHEID ERA MARGINALIZATION**

During the apartheid era, South Africa's majority blacks were systematically marginalized and excluded from participating meaningfully in the economic life of the country. This is attributable almost entirely to centuries of white settler colonialism over indigenous

Africans, which was worsened by apartheid reducing Africans to the periphery of South Africa's economy (Balkaran, 2017). Essentially, the apartheid policy was actually a disempowerment of black people which was devised in a manner that will keep black people as perpetual providers of cheap labour. This process resulted in the deliberate denial of entrepreneurship development to black people (Mofokeng, Giampiccoli, & Jugmohan, 2018). Particularly, blacks were deprived of reasonable participation in both public and private sectors. For example, ownership in private sector businesses and responsible positions in public sector were denied the blacks (Hiam, Eshghi, & Eshghi, 2017). Post-apartheid South Africa has continued to witness persistent and growing social inequality and unemployment (Leibbrandt, Woolard, & Woolard, 2009; Seekings & Nattrass, 2002; Transnet, 2014a). Particularly, black youth, women and people with disabilities face daunting challenges with unemployment, poverty and inequality (Transnet, 2014b). In 2012, the minimum unemployment rate in South Africa was standing at a staggering 26% (McIntyre, 2013).

Since 1994, South Africa has pursued programmes geared towards transformation, with particular emphasis on the transformation of the economy. Thus, since the end of apartheid, the agenda of the government of South Africa has prioritized economic redress aimed at correcting racial and socio-economic imbalances occasioned by apartheid (Mofokeng et al., 2018). This requires direct state intervention to expedite human development and capacitation of local people with skills necessary to attract investment which will result in economic growth and development, leading to job creation, (Khambule & Mtapuri, 2018). Some of the state-driven interventions included local economic development (LED), and Black Economic Empowerment (BEE).

### **2.3 LOCAL ECONOMIC DEVELOPMENT INTEGRATED APPROACH TO DEVELOPMENT**

The concept of LED remains a contested one, and open to multiple definitions and interpretations (Akudugu & Laube, 2013; Rogerson 2014). As Nel (2001) noted, although the phenomenon of LED is not a new one, it defies a rigid definition or stereotyping. However, attempts have been made to bring some understanding as to a working definition of the concept. For example, LED is seen as increases in the capacity of a local economy to create wealth for local residents (Bartik, 2013). It is also defined as the process in which local people work together in order to achieve sustainable economic growth that benefits and

improves the quality of life of everyone in the community (World Bank, 2002). Blakely (1994: xvi cited in Nel, 2001:1005), defined it as:

The process in which local governments or community-based organizations engage to stimulate or maintain business activity and/or employment. The principal goal of LED is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural, and institutional resources.

Similarly, Zaaijer & Sara (1993: 129, cited in Nel, 2001: 1005), define it as:

Essentially a process in which local governments and/or community-based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area.

In this process:

key stakeholders and institutions from all spheres of society, the public and private sectors as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms (Ruecker & Trah, 2007:15).

Despite the imprecise definition of the concept, LED as a development plan or strategy has grown significantly in the last two decades, especially in developing countries (Rogerson, 2014). Thus:

There has been growing willingness to adopt the approach of LED whereby local stakeholders assume greater responsibility for catalysing area prosperity and making their localities more competitive in both national and (potentially) international contexts (Rogerson, 2014:204).

The focus of LED activities is the maximising of the comparative advantages of localities and “improving the local business environment, building local skills, cluster development (often involving small medium and micro-enterprises) and encouraging trust and partnerships between the private sector, public institutions and civil society” (Rogerson 2014:204).

LED processes offer an integrated approach to development rather than a ‘one size fits all’ solution. Their core purpose is:

to mobilize the local economic potential by bringing innovation to all its growth dimensions which range from infrastructure, to local SMEs and their skills, to attracting foreign direct investment, fostering territorial competitiveness, strengthening local institutions, better management of the development process and internalizing local resources (Rodriguez-Pose, 2008:23 in Rogerson, 2014:204).

LED manifests in various forms of informal sector activities, communal farming, and survivalist community initiatives. In most cases, drawing upon indigenous knowledge and skills, LED relies on community-based and small-scale initiatives whose primary goal is to ensure survival rather than penetration of global economy (Nel, 2001).

#### **2.4 LED PATH TO TRANSFORMATION IN SOUTH AFRICA**

In terms of LED, South Africa is generally considered a pioneer within the global South. Arguably, planning for LED in South Africa is the most advanced and longest established in sub-Saharan Africa, and since the end of apartheid national government has given strong encouragement to LED activities (Rogerson, 2014).

According to Nel (2001) even though it is relatively new in the South Africa, LED as concept currently attracts huge interests in government as well as policy circles. Since the 1994 transition to democracy, LED has assumed a constitutionally mandatory obligation for all South African local authorities (Khambule & Mtapuri, 2018; Nel & Rogerson, 2005a). A number of key legislations shaped the policy context for LED in South Africa. First “the 1996 Constitution recognises the significance of local government and Section 152 obliges municipalities to promote economic development of local communities” (Rogerson, 2014: 205).

Second, the 1998 White Paper on Local Government establishes the notion of ‘developmental local government’ which is defined as “Local Government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives” (South Africa, 1998: SB1).

Third, the Local Government Municipal Systems Act of 2000 made Integrated Development Planning (IDP) a mandatory pursuit for local government. It also promulgated legislation on a number of key LED functions and responsibilities (Nel, 2001; Nel & Rogerson, 2005a). The essential aim of the Act is to “provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities” (South Africa, 2000:2).

In 2006, the DPLG released an official statement which provides to local authorities a definitive set of guidelines for their activities in terms of their LED goals (Rogerson 2014). The document offers a vision for promoting “robust and inclusive local economies, exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives” (DPLG, 2006:7).

#### **2.4.1 ROLE OF LED IN SOCIO-ECONOMIC DEVELOPMENT**

The role of LED addressing in socio-economic problems South Africa has been the subject of interest to scholars. For example, its role in addressing the challenges of unemployment and poverty alleviation, the “role of small, medium and micro enterprises in LED processes, governance, public procurement, sectoral partnerships, trust and relations between the private sector and local government, and the establishment and impact of local economic development agencies” (Rogerson, 2014:206).

#### **2.4.2 STRATEGIES ADOPTED IN PURSUIT OF LED**

According to Nel (2001) LED has been pursued through urban entrepreneurship by major cities as well as rural survivalist strategies such as community and NGO initiatives. However, the most government-encouraged approach to LED has been the public-private partnerships (Nel, 2001). Thus, strategies adopted in the pursuit of LED “include financial support, land and building development, information and marketing assistance, new planning and organizational structures, and training and employment” (Nel, 2001:1007).

#### **2.4.3 REINDUSTRIALIZATION AND LOCALIZATION**

The drive for localization is linked to changes in government procurement and amended regulations to the Preferential Procurement Act which became effective on 7 December 2011. This highlights the importance of extending government procurement of South African produced goods and services in order engender industrial development and job creation

(Rogerson, 2014). The objective is to achieve a 75 percent localisation target in the procurement by public sector and private sector and thereby significantly expanding the value of goods and services which are secured from South African producers. Thus leveraging ‘public procurement is one of the key instruments for deployment by government in support of the productive sectors, and will be used in combination with policies on industrial finance, trade, competition, innovation and skills development’ (Rogerson, 2014:209).

#### **2.4.4 SMALL BUSINESS DEVELOPMENT**

Balkaran (2017) stresses the important role small business development plays in the economic development of countries. The growth of small businesses and cooperatives has been recognised as an important vehicle for drawing more South Africans into entrepreneurship and for boosting job creation (Rogerson, 2014; Sibanda, 2013).

According to Kingdom & Knight (2005), South African prosperity or penury depends on developments in the labour market. Employment creation is very critical to economic growth and social transformation (Awogbenle & Iwuamadi, 2010). The crucial role of enterprises, particularly SMMEs in creating jobs cannot be overemphasised (Kesper, 2001). About 60% of employment in South Africa and other emerging economies are generated in the SMME arena (Transnet 2014b). Thus, “all national government led interventions that support the SMME economy have a powerful resonance for LED futures ... The making of business environments that are friendly to small business entrepreneurs is of core concern for LED futures” (Rogerson 2014:210).

The importance of developing technology stations and business incubators has also been stressed in respect of fostering high growth SMMEs (Rogerson, 2014). Business incubators focus on economic growth, sustainable employment, technological innovation and technology transfer (Masutha, 2014). It has been demonstrated that “with appropriate policy support small business incubators can be potential tools for LED” (Rogerson, 2014:211). For example, the DTI initiated the Incubation Support Programme (ISP) which “aims to encourage partnerships whereby large businesses assist SMMEs with skills transfer, enterprise development, supplier development and marketing opportunities with the long-term objective of graduating SMMEs into the mainstream economy through support provided by the incubator” (Rogerson, 2014:211).

## **2.5 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)**

One of the transformation and redress programmes introduced by the post-apartheid South African government was referred to as Black Economic Empowerment (BEE). The BEE and its subsequent amendments to Broad-Based Black Economic Empowerment (B-BBEE) were aimed at transforming all sectors of South Africa's economy, and to remove inequalities that were the legacy of apartheid injustices by affording previously disadvantaged individuals (PDI) some economic privileges which were previously denied to them (Mofokeng et al., 2018). Thus, the B-BBEE is tool for socio-economic development fashioned by the government of South Africa (Plaatjies, 2014), and it became a necessary intervention to overcome the legacy of racial discrimination and to address the structural exclusion of the majority of South Africans from fully participating in the economy (Mofokeng et al., 2018).

The Broad-Based Black Economic Empowerment Act, of 2003 that gave life to this policy was gazetted on the 09 January 2009 (R. o. S. Africa, 2004) but was adopted in 2003 as a strategy document which seeks to establish a legislative framework for promoting black economic empowerment. BEE was an integrated and coherent socio-economic process meant to contribute to economic transformation of South Africa and bring about significant increase in the numbers of black people that manage, own and control the country's economy, as well as contribute to significant decrease in income inequalities (Hills, 2015). It empowered the Minister to issue the codes of good practice and ensure that the transformation agenda of the democratic government is pursued (S. Africa, 2014; R. o. S. Africa, 2004).

Although South Africa has made great progress in addressing the education question in respect of previously disadvantaged or marginalized population, young people particularly young women in the rural areas continue to face a lot of challenges, including delayed, or discontinuation (drop-out) of education as a result of long distance to school, schools that are poorly resourced, sexual harassment by educators, violence and bullying, domestic chores, and pregnancies (Hills, 2015).

Harmful domestic and cultural practices in spite of constitutional provisions that guarantee the right of equality to all still prevail. For example, women in South Africa continue to be subjected to many harmful cultural and religious practices, which significantly impedes their access to rights (Hills, 2015) including rights to economic advancement. Unemployment rates among previously disadvantaged groups remain high. The high levels of unemployment in

South Africa are an important obstacle to the realization of gender equality. Women are particularly affected by structural unemployment (Hills, 2015). Disparity in the types of employment for different race and gender groups presented another form of marginalization. While there has been improvement in access to employment, there still exist wide disparities between types of employment for men and women. Women are predominant in jobs considered inferior, and fewer women can be found in managerial and high status roles (Hills, 2015). This situation was a function of the limited pool of qualified and skilled individuals within disadvantaged groups. The pool of those with the required skills to operate in the corporate world is limited. Those that have such skills were systematically frustrated and discouraged from pursuing careers in the established corporate entities. They would rather pursue their private entrepreneurial careers and create their own business empires. Thus they do not participate in opportunities created in for example, Johannesburg Stock Exchange (JSE)-listed businesses (Hills, 2015). To compound this situation lack of access to finance led to marginalization of large section of South Africa's population. It is also a major deterrent to women establishing their own businesses (Hills, 2015).

The South African government implemented this policy as a strategy to build the nation (Fauconnier & Mathur-Helm, 2007), particularly to empower all black people as prescribed in the BEE Act, black is African, coloured and Indian who are South African born or by naturalisation and have lived in South Africa before 27 April 1994 (R. o. S. Africa, 2004).

BEE was originally conceived in the 1990s which culminated in government launching the BEE Commission in 1998. By early 2000s a number of BEE definitions and ownership targets were put forward, together with the release of the B-BBEE strategy document in 2003 (Hills, 2015).

The disadvantage with the original BEE Act was that, it mainly focused in transferring wealth or business ownership to black hands and this benefited a few elite who are politically connected. This was referred as the narrow based BEE which resulted in dissatisfaction with many South Africans. Instead of empowering the majority of black South Africans who were previously excluded, it encouraged fronting when individuals would be used as owners of business by traditional white companies without the knowledge of black shareholders, and/or without the black shareholder exercising ownership rights. In some instances BEE deals will

be concluded with individuals for monetary benefit and when the deal goes sour then hell break loose (Sanchez, 2006).

In 2003, a significant change was made to B-BBEE framework. The then President Thabo Mbeki, in his state of the Nation address, clearly defined the importance of Small Medium Micro Enterprises (SMMEs) in participating in the main stream of the economy (Sanchez, 2006). Unlike the initial BEE policy, B-BBEE does not only focus on black ownership and management empowerment but also take into consideration other elements such as employment equity, skills development, Preferential Procurement, enterprise Supplier Development and Corporate Social investment. These elements seek to increase black participation in the economy through broad based empowerment and increased job creation and skills development while also ensuring growth in SMMEs as they play a key role in accelerating economic growth, create jobs and reduce the gap between the rich and the poor.

The Act is framed in a manner that ensures that B-BBEE will have a “knock-on” effect all through the supply chain of business. Thus businesses will ultimately become drivers of B-BBEE in the businesses of their stakeholders and suppliers (Esser & Dekker, 2008). The Act also is binding not only on the public sector: government departments, State-owned companies, as well as organs and agencies of government, but also on the private sector to the extent which they wish to do business with government (Esser & Dekker, 2008).

The Department of Trade and Industry (DTI) has developed a growth strategy to focus on increasing participation for all citizens especially those marginalised by the apartheid government. The department then created a special B-BBEE unit to ensure that through equity empowerment policies and strategic interventions South African Economy is restructured to make a meaningful participation of previously marginalised community especially in the townships and rural areas. This policy is defined by the DTI as a specific government policy to increase economic transformation (Kruger, 2011).

### **2.5.1 POTENTIALS OF B-BBEE POLICY IMPLEMENTATION**

If properly and effectively implemented the B-BBEE policy has great potentials to engender transformation and local economic development, particularly for rural communities. Ashley and Haysom have shown how local communities can benefit when businesses adopt an inclusive approach to business (Ashley & Haysom, 2004).

The B-BBEE Act of 2003 did not only aim at redressing historical racial imbalances, but also sought to promote social investment and to empower communities. Directors are compelled to see the community as a stakeholder and to manage the company in a manner to benefit the community (Esser & Dekker, 2008). First it has the potential to increase black participation in a company at all levels including ownership, management, expertise and control (Salazar, 2008). At the inception of BEE, only 3 percent of shares of JSE-listed entities were owned by the groups targeted for empowerment under the BEE Act. This percentage has increased to 17 by 2014 (Hills, 2015).

It can also increase the capacity and extent to which local communities, co-operatives, workers, and women can own and manage existing enterprises and develop new ones; as well as increase their access to economic resources, activities, infrastructure and skills training. It also develop appropriate human resources and skills (Esser & Dekker, 2008). As a direct result of B-BBEE there has been a significant increase in the number of registered and unregistered black-owned businesses (Salazar, 2008). Thus the effect of B-BBEE will filter through the community at larger as well as the country, thereby giving rise to the “triple-bottom line” (Esser & Dekker, 2008).

## **2.6 WHY RADICAL TRANSFORMATION?**

Radical Economic Transformation became necessary due to the failures of previous economic transformation interventions. As Jankielsohn & Duvenhage (2017) note, in terms of racial distribution, transformation has been very slow since the first democratic elections in 1994. This has given rise to calls for a different approach to transformation and empowerment. The initial emphasis of empowerment focused primarily on equity transfer through business transactions. However, this approach only created benefits for a handful of politically connected individuals (Mofokeng et al., 2018). For example, BEE did not succeed as envisaged as the benefits failed to filter down to the intended beneficiaries leading to review and introduction of B-BBEE in 2013. This was aimed at being more inclusive with the hope of reaching a broader mass of disenfranchised people (Mofokeng et al., 2018).

### **2.6.1 FAILURES OF LED**

A number of failings bedevilled LED in South Africa. Khambule & Mtapuri (2018:3) identified five of these main failings as, “the incapacity of local government to implement

LED, incapacity of local government to plan for LED, governance issues that arise from a lack of understanding of LED, a lack of funding for LED initiatives and ongoing mistrust between government and the private sector.” In addition to these major challenges that faced LED in South Africa the lack of capacity and failure of local government to provide adequate basic service delivery efficiently and on time, coupled with their failure to implement LED, further added to the burdens of poverty, unemployment and inequality that majority of the South African citizens confronted (Khambule & Mtapuri, 2018).

### **2.6.2 FAILURES OF B-BBEE**

Implementing BEE policy in a market-oriented mixed economy such as South Africa's, with its fair share of markets failure as well as government failure, is fraught with a lot of challenges. Some of these challenges can be institutional and others personal. First among these challenges is the resistance to the policy by businesses especially the historically white owned businesses (Leonard & Grobler, 2002).

Foreign investors often fear that BBBEE will result in dilution of company's share value, due to transfer of ownership to previously disadvantaged groups. This has already brought about some hindrances in the implementation of the policy as multinational corporations were exempted from the ownership element of the scorecard (Esser & Dekker, 2008).

One of the major challenges faced by BEE policy implementation is lack of access to finance (Davie, 2005). Since the majority of the citizens do not have the economic power, the challenge to small businesses is lack of access to finance. Very few black businesses have managed to fund their start-up businesses and sustain them. This is due to the fact that empowerment deals had to pay their own way (Davie, 2005). The private sector is also risk averse making it difficult to access capital. The government has set up government funding such IDC for industrial ventures to bridge the gap, but their lending criteria is like that of private banks, requiring the lender to provide a contract awarded as a form of security (Transnet, 2011).

Lack of finance is also a result of failure for both the market and government as SMMEs and start-up in South Africa contribute to job creation which assists the government in reducing unemployment (Abor & Quartey, 2010). However, the lack of cash flows destroys small business as government payment terms included a period of within 60 days after the receipt of statement which a small business cannot afford.

Similarly, the government failed to fully enforce or demand enforcement of the policy across board. For instance, no penalties for non-compliance by companies (Tangri & Southall, 2008), and multinational companies are exempted from the ownership element of B-BBEE scorecard (Esser & Dekker, 2008).

The public sector administration is problematic not because of the inefficiencies, but lack of transformation from post-apartheid administration to the ANC strategy and the implementation of its empowerment policies (Chipkin & Lipietz, 2012). Competition with traditionally white owned businesses who are established and possess the requisite skills and equipment posed a challenge in certain sectors to implement the BEE policy (Ponte, Roberts, & Van Sittert, 2007). In the maritime industry for instance, this sector has been dominated by white and some family businesses which find it difficult to transform thus resulting in ineffective or incomplete implementation of the policy.

Another challenge facing the empowerment in South Africa is the lack of human capital and skills. The issue of human capital is as a result of South Africa's apartheid history where the black majority was marginalised (Erasmus & Breier, 2009). This challenge is source of market failure and hinders the implementation of economic development in the country as skills have to be imported from outside the country at a cost. Lack of skills also affect the local economic growth as levels of understanding may not be the same and individuals may misinterpret economic terms and run a loss in their businesses. It may also result in individuals being taken for a ride by opportunities. Developmental state institutions have limited human resources that work on consolidated historical experiences to assist in identifying and motivating for political hard decisions that positively invade the implementation of BEE successfully (Butler, 2010).

Another source of challenge is lack of access to opportunities for particularly SMMEs. Since the economy has been dominated by a few, there are barriers for start-up to access the market. The government through its agencies has intervened in building the country's economy through SMME's by establishing State owned development agencies that seek to assist start-up and small businesses with finance and access to market. For example, agencies like SEDA provide support small and micro enterprises with non-financial business support such as financial and marketing management, whereas other state owned Agencies like NEF

promotes investment and transforming black businesses to participate in the mainstream of the economy (Sanchez, 2006).

Lack of ownership and lack of confidence are another set of challenge. Previously disadvantaged people may not do enough to succeed and to command respect. They are less likely to demand higher salaries or larger bonuses in performance reviews. Thus they unintentionally hold back themselves in their careers (Hills, 2015), thus defeating the very purpose of the policy. Furthermore, they lack confidence to oppose internal barriers to upward mobility. They are fearful to push obstacles aside and to remove barriers. They are not confident enough to break through barriers and past limiting beliefs (Hills, 2015).

Another challenge to the successful implementation of the policy is the complicated nature of diversity. Diversity can be more complicated than is thought. Getting people from diverse racial and cultural backgrounds to collaborate and work together can be fraught with frictions and difficulties. It can increase conflicts, worsen communication, and reduce workplace trust (Hills, 2015).

There is also bias in hiring which perpetuate historical disadvantages. Previously disadvantaged individuals and women are less positively evaluated than men with equal qualifications when they apply for stereotypically male jobs or jobs that were historical preserves of advantaged groups. It is found that sometimes recruitment and hiring criteria are specifically adjusted to disadvantage blacks, and in particular women seeking leadership positions (Hills, 2015).

Another source of challenge is cultural and professional jealousy. Cultural jealousy manifests where persons from one culture or racial group try to kick down or frustrate individuals from another culture, in order to prevent them from getting to the top. Professional jealousy causes disadvantaged people to frustrate the upward movement of individuals of their own groups. For example, women will kick down the ladder for other women even when men tend to render assistance to women to attain top positions (Hills, 2015).

Inequality in business partnerships is another challenge to BEE policy implementation. Previously disadvantaged individuals are not regarded as equal partners in business deals. They are invited or used only to give a good or favourable image to the companies (Hills,

2015). Similarly, they unequally remunerated. On the average disadvantaged individuals earn less than the advantaged. For example, women still earn less than men (Hills, 2015).

Another critical encumbrance to the policy is companies trying to make it difficult for disadvantaged individuals to break through the ceilings. Most companies pay lip service to issues of equity. Although they develop equity plans, they hardly implement them (Hills, 2015). Inflexible working situation hamper in particular the career mobility and growth of women. Not many businesses consider or provide childcare facilities in the workplace or introduce flexible working arrangements that will enable women to balance domestic responsibility with career goals (Hills, 2015).

### **2.6.3 CHALLENGES OF SMMEs**

In theory, small-scale enterprises should be able to benefit from government contracts. However evidence shows that they are disadvantaged as these contracts are open to competitive tenders from the open market dominated by nepotism and administrative discretion in the allocation of particularly public procurement contracts (Balkaran, 2017). In his 2017 State of the Nation Address (SONA), President Jacob Zuma highlighted two key challenges to reasonable participation of SMMEs in the economy. These are “the high levels of concentration in the economy and the collusion and cartels, which squeezed out small players and hamper the entry of young entrepreneurs and black industrialists” (Balkaran, 2017:115).

Although the government has made significant progress in respect of transformation legislation since 1994 legislation, broader transformation cannot be achieved without the cooperation of the private sector. The lack of private sector support for black businesses appear to come from big business, black consumers and black businesses who believe that the quality and standard of services of black businesses are below minimum (Mofokeng et al., 2018). According to Mofokeng et al (2018:7), big established businesses often exclude small black-owned businesses by arguing the following:

- We can't find these SMMEs
- They do not have the capacity to supply according to our requirements
- SMMEs are risky and unreliable suppliers

- They do not have the financial muscle to compete
- Our role is to procure for our internal customer and not to develop suppliers; and
- There is no benefit that we derive from buying from SMMEs.

The failure of the previous economic empowerment and transformation regime to achieve the envisaged goals led the government of South Africa to seek a radical process or implementation of economic transformation. This study will explore the factors that posed challenges to the implementation of economic transformation, and necessitated radical transformation.

## **2.7 RADICAL ECONOMIC TRANSFORMATION**

According to Jankielsohn & Duvenhage (2017) economic transformation in South Africa has assumed a great deal of political rhetoric. An academic discussion of the concept requires that the term “transformation” be reasonably defined.

Ramphela (2017, cited in Balkaran, 2017:112) claims that:

transformative politics is where the citizen is at the centre of the political engagement, based on core values derived from the South African Constitution, namely human dignity, equality, excellence, innovation and creativity.

Duvenhage (2007, cited in Jankielsohn & Duvenhage (2017:2) describes transformation as:

the fast, progressive, comprehensive, and fundamental political change of society, that arises from an unacceptable past, which takes on the form of central planning (social engineering and political manipulation), often driven by hegemony, with an emphasis on the management of change in general and conflict management in particular.

To them, transformation in general is measured in terms of redistribution of ownership from white to black (Jankielsohn & Duvenhage, 2017).

Transformation is also defined as a radical process. Eckstein (1988 cited in Jankielsohn & Duvenhage, 2017:2) defines transformation as, “the use of political power and artifice to engineer radically changed social and political structures ... to set society and polity on a new course toward unprecedented objectives.”

The current political rhetoric about radical economic transformation requires closer investigation for a reasonably clear understanding. Radical reform can be conceptualised as policies and legislation providing for abrupt and fundamental (often revolutionary) modification of the patterns of ownership through redistribution from one group to another, using methods that may be regarded as extrinsically threatening to existing order (Jankielsohn & Duvenhage, 2017). In this sense, the Radical Economic Transformation (RET) economic paradigm which South Africa's government seeks to pursue is seen to fall outside "mainstream economics" (Balkaran, 2017:107).

The lexicon of "radical economic transformation" was introduced in the South African political landscape by the African National Congress (ANC), through its election manifesto in 2017 (Balkaran, 2017) and other forums. In his freedom day celebration speech on 27 April 2017, President Zuma stated:

by radical economic transformation, we mean fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all South Africans, especially the poor, the majority of whom are African and female (Zuma, 2017:4).

According to President Zuma, this quest for radical transformation became necessary because the majority of black people remain disempowered economically and generally not satisfied with economic gains that came with political liberation. Transformation and implementation of affirmative action as prescribed in the Employment Equity Act have proceeded at a very slow pace (Zuma, 2017).

Speaking at the ANC's 104<sup>th</sup> anniversary, President Zuma announced that the pace of reform "must be radically accelerated." He further explained the relationship between the NDR and radical economic transformation as the second phase in the country's transition from Apartheid colonialism to a National Democratic Society (Jankielsohn & Duvenhage, 2017:16).

In its Radical Economic Transformation Policy as set out in its National Policy Conference Discussion Document 4, the ruling ANC indicates its acute awareness that although economic growth is necessary, it is not sufficient for an effective programme of economic

transformation. Radical Economic Transformation therefore is primarily about “fundamentally changing the structure of South Africa’s economy from an exploitative exporter of raw materials, to one which is based on beneficiation and manufacturing, in which our people’s full potential can be realized” (Balkaran, 2017:111).

To drive transformation, the state will play a role in the economy by maximally utilising, all strategic levers available to it, including legislation, regulations, licensing, budget and procurement, as well as Broad-based Black Economic Empowerment Charters. This will be targeted primarily at influencing the behaviour of the private sector in seeking to open up the economy to new players, provide opportunities to black Africans, and to make the economy more inclusive (Balkaran, 2017). Thus, Radical Economic Transformation implies moving beyond share ownership schemes only, to the development of black industrialist programme with black people involved directly in business and owning factories (Balkaran, 2017).

Similarly, Government will continue to pursue policies that seek to broaden the participation of black people and small business development, including those owned by women and the youth (Balkaran, 2017). In line with its economic transformation aspirations, government has packaged a 9-point Plan to stimulate the economy. This plan includes R500bn a year government bill for goods and services, plus R900bn infrastructure budget over the medium term framework (Balkaran, 2017). Radical economic transformation therefore means a more aggressive pursuit of transformation of South Africa’s economy. This study explores the utility of procurement as instrument to achieve this goal.

## **2.8 PROCUREMENT AS INSTRUMENT FOR ECONOMIC TRANSFORMATION**

Procurement is primarily about the acquisition of needed goods and services for the running of businesses. Secondly it can be a very important vehicle for transferring crucial skills from providers or sources of goods and services to local entities (Cronje, Toit, & Motlatla, 2000). Thus, while procurement serves the immediate needs of the company, beneficiation of procurement provides the necessary skills and manpower to keep the industry and larger economy productive in the long-run. Skills development means actual transference of skills that can make its possessor employable and thus lead to employment (Awogbenle & Iwuamadi, 2010). These skills will be useful in establishing benefiting entities thereby creating enabling environment for job creation, as well as becoming strategic replacement for foreign suppliers in down-stream sectors of the industry (Pachkal, 2016).

Skills transfer will make for localisation of provision of services and supply of goods previously sourced from outside, thereby limiting foreign penetration of the economy as well as limiting out flow of capital. Beneficiaries of skills transfer become a readily available pool of skilled suppliers ready to provide the needs of company and through their SMMEs provide jobs for the nation's young and teeming population (Alexander, 2007; Cronje, du Toit, & Motlatla, 2000; Hiam et al., 2017; Kaye Nijaki & Worrel, 2012; Kesper, 2001; Nel, 2001; Pachkal, 2016; Watermeyer, 1999).

### **2.8.1 PREFERENTIAL PROCUREMENT AS TOOL FOR TRANSFORMATION**

Preferential procurement is one of the seven instrumental pillars that make up the BEE framework and was enacted in the Preferential Procurement Policy Framework Act No.5 of 2000 (Mofokeng et al, 2018). The intention of preferential procurement to use state's buying power to achieve its economic goals such as skills development, job opportunities and economic empowerment of black people. Thus, preferential procurement is used as a tool for transformation aimed at encouraging and assisting emerging black-owned businesses to gain access to government contracts wherein black people are the preferred bidders (Mofokeng et al., 2018).

In January 2017 new Preferential Procurement Framework Regulations were signed into law to replace the Preferential Procurement regulations of 2011. The new regulations provide that 30% of state procurement must be directed towards SMMEs and township and rural enterprises (Balkaran, 2017). Thus, state departments and agencies may restrict designated tenders by stipulating a minimum B-BBEE requirements, or stipulating that tenderers agree to subcontract a minimum of 30% to categories of exempted micro enterprises and qualifying small businesses (Balkaran, 2017).

The new regulations also increased the threshold of affected contracts from R1m to a threshold of R50 million. This means that tenders below R50 million will now be evaluated on the basis of an 80/20 preference system and tenders above R50 million will now be evaluated on the basis of 90/10 preference system. This intention is to allow smaller, less established companies better opportunities for real growth (Balkaran, 2017).

Preferential procurement, enterprise development, and socio-economic upliftment projects has the potential to enable the larger community to benefit from company's corporate social responsibility schemes and conduct (Esser & Dekker, 2008). Closely related to procurement in equipping SMMEs is the process of reverse logistics.

### **2.8.2 REVERSE LOGISTICS FOR EMPOWERING SMMEs**

Logistics in SCM refers to “physical distribution management” (Slack, Chambers and Johnston, 2010: 663). Logistics management is the integration of the movements or transportation and warehousing of materials from raw material stage through the process of production to the final product consumed by the end customer (Cronje et al., 2000; Rushton, Croucher, & Baker, 2009; Slack, Chambers, & Johnston, 2010). Sometimes it is necessary to move materials in the opposite direction from the end customer back to the supplier of raw material. This is the concern of reverse logistics (RL). RL has been defined as activities by which products and components are retrieved for proper recycling, rebuilding, or disposal. It also refers to the process of actual return or take-back of a product for reuse, recycling, reclaim, or safe refill after the consumer has used the product (Chin-Chun, Keah-Choon, Suhaiza, & Mohamad, 2016).

According to Rushton, Croucher and Baker (2006), RL becomes necessary in the following circumstances:

1. when products are recalled for safety or quality reasons;
2. when unwanted goods are returned;
3. when disposing of, or recycling products or used packaging.

RL can create tangible and intangible value by enabling a firm to extract value from used or returned goods instead of wasting manpower and time, and by creating additional value through increasing product lifecycles (Chin-Chun et al., 2016). Thus, procurement and reverse logistics by large private businesses and SOEs can be a very important means of providing necessary conducive and enabling environment for SMMEs to thrive and also to create new SMMEs by providing opportunities for particularly previously disadvantaged individuals to acquire relevant skills to set up their own small enterprises.

## **2.9 THE ROLE OF STATE-OWNED ENTERPRISES IN RADICAL ECONOMIC TRANSFORMATION**

State-owned companies are often seen as necessary instruments for development in emerging economies because they can be directed by governments to achieve development goals (Balkaran, 2017). In modern times, state-owned enterprises have played a critical role in shaping successful paths for developing economies such as Japan, the Asian Tigers, and China, where the state has actively guided and participated in the economy. State-owned enterprises can play similar role in serving South Africa's development state ambitions (Balkaran, 2017). In fact, in his 2017 SONA President Zuma prioritised entrepreneurship and the advancement of small business as the catalysts in achieving economic growth and development through its various government departments and subsidiary institutions (Balkaran, 2017).

In order to facilitate this process of using SOEs for the purposes of economic transformation, the ANC in its RET Policy document proposed full empowerment of SOE to drive large-scale infrastructure investments and expand access to public service in order to effectively open up new economic opportunities for ordinary South Africans citizens, workers, entrepreneurs and small businesses developers (Balkaran, 2017).

## **2.10 TRANSNET AS A PRINCIPAL CONTRIBUTOR TO ECONOMIC TRANSFORMATION**

The main business of Transnet as an entity is the provision of safe, efficient, reliable, integrated, cost-effective world class freight transport services to promote economic growth in South Africa. This requires a lot of high value procurements. Another very important concern of Transnet is to deploy its knowledge and resources, both human and material, in the pursuit of South Africa's development agenda (Transnet 2014c).

### **2.10.1 TRANSNET ESD POLICY**

In its quest to contribute in a meaningful way to the pursuit of the government of South African to enhance the empowerment of PDIs, sustainable development of local industry, and improving skills to support localisation and industrialisation, Transnet developed its ESD strategy with a mission "to transform its supplier base by engaging in targeted supplier development initiatives to support localisation and industrialisation while providing meaningful opportunities for black South Africans" (Transnet 2014a:7). Thus Transnet

developed its Competitive Supplier Development Policy (CSDP) to address the problem of scarce skills through the tendering process and in the process promote development of relevant skills which are critical to SMMEs development. Particular emphasis is placed on the youth, black women, PWD, small enterprises, and rural integration (Transnet, 2014a).

ESD is not solely a function of B-BBEE compliance. The grand purpose of ESD is to create enabling environment for meaningful market localisation by supporting and empowering black suppliers to achieve growth. In tandem with the new development and growth paradigm, ESD covers more than just the measurement of contributions in terms of B-BBEE codes. Its scope includes strategic and innovative investments targeted at developing capabilities for local markets (Transnet 2014c:7). Targeted ESD is expected among others, to promote technology-transfer, skills development, accelerate localisation, increase local content, focused regional development, transform the domination of supply industry by large international or traditionally white owned businesses to locally owned and black owned suppliers, influence transformation of untransformed industries, and Improved B-BBEE rating for Transnet SOC Ltd (Transnet 2014a:8).

Thus Enterprise and Supplier Development (ESD) became a key element of South Africa's development agenda. Embedded within the B-BBEE Codes, it combines targeted processes and measurement of Preferential Procurement and Enterprise Development (Transnet, 2014c). Enterprise development is a strategic key to unlocking opportunities for SMMEs through contribution to their operational and financial stability and growth (Transnet 2014b:4). As part of Transnet commitment to contributing to South Africa's NGP, TPT rolled out its ESD program.

### **2.10.2 IMPLEMENTATION OF ESD POLICY IN TPT**

The implementation of Transnet ESD is achieved as part of procurement and located in the ESD units both at the Group and the Operating Divisions. The table bellows shows the breakdown of levels of participation by various categories of target business entities:

<b>BEE Spend/procurement</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Variance</b>
	<b>Rm</b>	<b>%</b>	<b>%</b>	<b>%</b>
Total Local Procurement	3 287 396 443			
<b>Total Foreign Spend</b>	404 029 114			
<b>Total Measured Procurement</b>	<b>3 691 425 557</b>			
BEE Procurement Spend	<b>2 945 073 781</b>	90%	90%	0%
BEE Procurement Spend from (Qualifying Small Enterprises)	<b>443 195 712</b>	20%	13%	-7%
<b>Exempted Micro-Enterprises</b>	<b>261 502 928</b>	15%	8%	-7%
Suppliers <b>more than 50% black owned</b>	<b>729 844 131</b>	20%	22%	2%
Suppliers that are <b>more than 30% black women owned</b>	<b>153 875 471</b>	15%	5%	-10%

Source: TPT BBBEE Report FY 2013/14

All Transnet employees, both permanent and fixed contract employees, shall adhere to this policy (Transnet 2014a). This forms the basis for the rolling out ESD projects and initiatives by TPT. In 2013/14 financial year TPT spent about R3.6 billion on procurement. R3.2 billion of this was spent on procurement from local entities.

## **2.11 SUMMARY**

This chapter reviewed scholarly literature related to the use of procurement processes as instrument of local economic development in general and South Africa's government pursuit of a radical economic transformation in particular. It explored the legacy of economic marginalization of majority of black South Africans inherited from the apartheid era system, its persistent impact in creating and sustaining lopsided socio-economic realities where ownership in private sector businesses and responsible positions in public sector were denied the blacks, and the response of the state to remedy the situation and provide enabling environment for economic transformation. This chapter also reviewed the failures of previous economic empowerment and transformation regimes to achieve the envisaged goals leading the government of South Africa to seek a radical process or implementation of economic transformation. It explored the factors and actors that influence the success or otherwise of the use of procurement processes as instrument of economic transformation. It finally zeroed in on the role of TPT as a state-own enterprise towards achieving local economic

development and how it can use its procurement processes to contribute to radical economic transformation as being pursued by the government of South Africa.

## **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

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### **3.1 INTRODUCTION**

Research design is the logical and coherent articulation of a research, its various components and the relationships between them (Maxwell, 2005). This chapter presents the description of relevant components of this study which is on the use of procurement as an instrument for radical economic transformation, using TPT as a case study. It describes the context of the study, and the position of the researcher as a practitioner researcher in ESD initiatives of TPT procurement department.

This study explores how TPT can contribute to radical economic transformation as not only the deliberate, and measured action of a State-owned-enterprise (SOE), but also the result of a complex interwoven and interconnected haze of factors, some of which emerge externally, and hence are not under the control of the company. This study further explores the contributions of TPT to South Africa's economic transformation against the backdrop of the social, political, cultural and economic circumstances that present challenges to economic transformation.

This chapter is divided into ten sections. Immediately after this introduction, second section briefly discusses the research approach adopted in this study. Third and fourth sections explore qualitative research and relevance of case study respectively. Fifth section discusses this study as practitioner research while the sixth section dwells on the role of the researcher. Data collection and analysis are discussed in the seventh section while the eighth section dwells on validity and reliability of research findings. The ninth section focuses on the researcher's motive and interest in the study, and ethical considerations were discussed in the tenth section.

### **3.2 RESEARCH APPROACH**

This study adopted a deductive research approach. Developed by Popper the proponent of critical rationalism, it posits that all data collection is selective and involves interpretation by the observer. Observations are always made from a point of view, with a frame of reference, with a set of expectations. Thus, to collect any useful data, it is necessary first to have some ideas about what to look for (Blaikie, 2000).

Deductive research strategy derives its ontological and epistemological assumptions from Critical Rationalism, which makes no distinction between observational and theoretical statements. It considers all observations to be theory-dependent and to occur within a 'horizon of expectations.' Data collection occurs against the background of certain expectations about what exists and how it behaves (Blaikie, 2000).

Deductive research approach rightly suits the purposive sampling method used in this study. Purposive sampling method presupposes a researcher's prior knowledge of the subject of investigation.

### **3.3 QUALITATIVE RESEARCH**

Qualitative research focuses on the lived experience of people and provides valuable information about their beliefs and opinions. Qualitative research is flexible and allows for the collection of rich descriptive data or evidence. This study used qualitative methods to examine how procurement can be used as instrument of radical local economic development and transformation using TPT as a case study.

In a case study research a phenomenon is investigated within its real-world context (Nieuwenhuis, 2016). A case study tends to focus on gathering data or evidence on particular objects, events or activities, for instance, a particular organization, business, or cultural festival in order to attain a better understanding of a phenomenon or problem (Sekaran & Bougie, 2016). The purpose of case study research may be exploratory, descriptive, interpretive or explanatory. Case study is the preferred approach in addressing the questions "how" and "why" of socio-economic phenomena (Nieuwenhuis, 2016).

Walliman (2005) also argues that our experience of the world of facts does not impose any single theory on us. Thus, in exploring the usefulness of procurement as an instrument for radical economic transformation, a case study design was useful in facilitating detailed engagement of the nature, social, political and economic context of the contribution of Transnet Port Terminals (TPT) (Babbie & Mouton, 2001). Case study has gained credibility and respectability especially as multi-methods data collection reinforces research findings (Babbie & Mouton, 2001).

This study seeks an interpretation of the specific context within which Transnet responds to the need to contribute to the radical economic transformation of South Africa. Thus, the case study of Transnet Port Terminals contributions to the radical transformation of South Africa's local economy provides a detailed analysis of the role of Transnet in transforming the economy of the country.

### **3.4 RELEVANCE OF CASE STUDY APPROACH**

A case study approach focuses on a particular example of a phenomenon with the aim of contributing to understanding of the phenomenon in general (Denscombe, 1998). In this study the case was the Transnet Port Terminals (TPT) an Operating Division (OD) of Transnet with its head office in Durban, and the study was on the use of procurement as an instrument of radical economic transformation in South Africa. Economic transformation is a multi-dimensional pursuit and involves many actors and stakeholders operating within multiple sectors. It is even more so when the process is expanded in an effort to achieve a radical transformation. In order to have a comprehensive understanding of how TPT can use its procurement processes to contribute to the radical economic transformation of South Africa it requires an analysis of the response of these actors and stakeholders to policy and procedural stimuli provided by TPT. A case study approach to exploring procurement as an instrument of radical economic transformation is quite appropriate as it allows the researcher to undertake an analysis from multiple perspectives, engaging the opinions and views of various actors and stakeholders. Case study allows the "investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence" (Saunders, Lewis & Thornhill 2007:139). The importance of the context in case studies cannot be overemphasised, as the boundaries between the phenomenon being studied and the context within which it is being studied are not clearly evident or demarcated (Saunders, Lewis, & Thornhill, 2007).

The case study strategy is particularly appropriate when the goal is to gain a rich understanding of the context of the research (Saunders et al., 2007). It "has considerable ability to generate answers to the question 'why?' as well as the 'what?' and 'how?' question" (Saunders et al 2007:139). For this reason the case study strategy is most often used

in explanatory research (Saunders et al., 2007). Hence, case study is appropriate for a practitioner research adopted in this study.

### **3.5 PRACTITIONER RESEARCH**

Practitioner research is an aspect of action research (Fox, Martin & Green, 2007). According to Walliman (2011: 18), action research (AR) is “a small scale intervention in the functioning of the real world and close examination of the effects of such an intervention.” Smith and Doyle (2017) see AR is a process of self-examination carried out by the participant either in social situation or scientific projects in order to collect information and use it to improve the rationality and fairness of their own practices, their understanding of these practices, and the situations in which the practices are carried out (Smith & Doyle, 2017).

This could be qualitative or quantitative research depending on the discipline in which research is conducted. It is a combination of both research and participatory action to help improve current practice and build theory. It is a means of critical thinking and analyzing the current situation with the intent of improving it. Its mission is to reflect and bring action together with theory, into practical solutions on issues of concern to people, individuals and their communities (Reason & Bradbury, 2001). Thus it can be said to be an attitude to study a particular situation and aims at taking action and generating information about that action; a highly contextualized process of gathering and interpreting data (Coughlan & Coughlan, 2002).

It is a model of inquiry where the primary purpose of the researcher is to improve existing practices and produce information to implement and enhance what is already in place. It provides the researcher with direction towards the change of standards for the practice which distinctively outlines action research from theoretical research (Morales, 2016). This means that as the researcher collects the data, he/she then uses that information to come up with solutions to the current problems and bring about change which must yield results.

AR is normally a participatory and an independent process which is committed to developing practical knowledge in the pursuit to reduce societal imbalances and improve standards of living.

AR tends to fall into two main traditions. First, the British tradition which sees action research as oriented towards enhancement of direct practice (Smith & Doyle, 2007). Scholars of this persuasion define action research as “simply a form of self-reflective enquiry undertaken by participants in social situations in order to improve the rationality and justice of their own practices, their understanding of these practices, and the situations in which the practices are carried out” (Smith & Doyle, 2007:1). The appeal of this tradition lies in its firm location in the realm of the practitioner, being tied to self-reflection (Smith & Doyle, 2007).

Second, the US tradition understands action research as “the systematic collection of information that is designed to bring about social change” (Smith & Doyle, 2007:1). Scholars of this tradition argue that it is practitioners that marshal evidence or data to expose unjust practices or environmental dangers and recommend actions for change. For them, action research is linked to traditions of citizen’s action and community organizing, and the practitioner is actively involved in the cause for which research is conducted (Smith & Doyle, 2007).

The main characteristic of AR is that it is essentially an ‘on the spot’ procedure, principally designed to deal with a specific problem evident in a particular situation. No attempt is made to separate a particular feature of the problem from its context in order to study it in isolation. Constant monitoring and evaluation are carried out, and the conclusions from the findings are applied immediately, and further monitored. AR depends to a large extent, on observation and behavioural data (Walliman, 2011). However action researchers (ARs) are not just observers but are activists who make it happen (Reason & Bradbury, 2001).

Sekaran and Bougie (2016) note that AR is sometimes undertaken by consultants who want to initiate change process in organizations. In other words, action research is a research strategy aimed at effecting planned changes. Here the researcher begins with a problem that is already identified, and gathers relevant data to provide a tentative problem solution. This solution is then implemented, with the knowledge that there may be unintended consequences following such implementation. The effects are then evaluated, defined, and diagnosed, and the research continues on an ongoing basis until the problem is fully resolved (Sekaran & Bougie, 2016). Thus, AR focuses on action which leads to change (Fox, Martin & Green, 2007).

Practitioner research as noted earlier, is an aspect of AR. Basically, practitioner or action research is about delivering practical results and creating new ways of understanding (Reason & Bradbury, 2001). In practitioner research, the practitioner is an integral part of the research process and outcomes of research feed immediately into local practice (Fox, Martin & Green, 2007).

### **3.5.1 RELEVANCE OF PRACTITIONER RESEARCH IN IMPROVING PROCUREMENT FIELD**

The usefulness of practitioner research in bringing about improvement in the use of procurement as an instrument for economic transformation cannot be over emphasised. First, it can help management to become more effective organizationally, and to become critical and strategic thinkers as well as moral practitioners (Cunliffe, 2016). Today procurement practitioners increasingly find themselves facing unexpected problems whereby they have a need to learn how to cope with the complex environment and take action in a messy stream of events (Ripamonti, Galuppo, Gorli, Scaratti, & Cunliffe, 2016). Cunliffe (2016) observes that managers deal with accelerating rates of change, uncertainty, and ambiguities and often work in organizations that are highly politicised both domestically and globally, and have to deal with diverse ethnical issues in the domestic arena. It becomes imperative to develop different ways thinking, organizing, managing, and relating to people. There is a need to explore how things work in an organisation and which will form a basis for sustainable participation and learning by individuals and collectively for all to benefit. There needs for a dialogue between practitioners and managers who are in a position to nurture knowledge and change by collaboration with each other and supplemented by integrating reflexive writing (Ripamonti et al., 2016).

Critical reflexive practice brings these pressures and areas of tension to the fore. It examines currently held assumptions, uncovers their limitations and possibilities, and reduces practitioners' proneness to being complacent or ritualistic in thoughts and actions. Again, it helps to develop a greater awareness of different paradigms, perspectives and possibilities, as well as the need to transform old ways of thinking and managing. It helps practitioners to be more conscious of the kind of persons they are and who they want to be, the world around them and how they relate to others, and to critically examine the ethical soundness of their actions (Cunliffe, 2016).

Practitioner research goes beyond reflection and involves systematic and intentional inquiry by practitioners (Goodnough, 2008). Conducting data analysis and coming up with methods of investigating the current status quo and how relevant stakeholders can be engaged in determining the underlying problems and in mission to solve them and improve by gathering information from both internal and external stakeholders which will assist in bringing about substantial changes in current procurement practice.

Practitioner research sensitizes the organization of outmoded practices (Fox, Martin & Green, 2007). Conducting a self-evaluation of how things work in the organisation, helps to discover the underlying values and conflicts that may not be understood or are being taken for granted and finally reframe what is currently practiced whether it is producing the expected goals or not as a function and identify the gaps to bring about enhanced ways of working and making a difference which will in turn yield best results for the organisation.

Similarly, practitioner research can be used as a springboard to initiate positive changes in practices as it can facilitate change in the practice of the practitioner (Fox, Martin & Green, 2007). Organisations and/or individuals are drawn to action research since it is definitely located in the jurisdiction of the practitioner. Practitioner research can help improve practice by sensitizing the sense of conviction and passion for the value of work, or expose the lack of it thereof. It can inform a renewal of drive to take informed action to improve one's work in morally and socially just ways (Dadds, 1998).

It has the potential to foster practitioner development which is essentially important in view of the constraints within which practitioners operate, and the issues of lack of adequate job preparedness, skills, experience and confidence. Practitioner gain useful and greater insights and understanding of their practice through individual as well as group reflections and discussions (Goodnough, 2008).

Change can be more effective when practitioners research collectively, thereby increasing opportunities to understand the goings-on in their work, and by so doing, enhance the possibilities of change (Dadds, 1998). Practitioner researchers engage in the cycles of diagnosing, planning, implementing and evaluating the information gathered with the internal stakeholders and make them understand the benefits of the implementation of the changes and how it will improve the current state of affairs (Coughlan & Coughlan, 2002). He may

have to demonstrate to the colleagues and get their buy-in and possibly allow them to experiment themselves the new changes. This fosters a more cordial relationship among colleagues and management, and creates a conducive working environment, as well as greater understanding of their individual and collective challenges.

### **3.5.2 PRACTITIONER RESEARCH FACILITATES PROFESSIONAL LEARNING**

Practitioner research does seek to change the world, but an understanding that enables the most intelligent and informed approach to decisions and actions within practitioner's organizations and industry. As a significant and legitimate form of social change, practitioner research helps practitioners to understand their subject, the context and implications of change (Fox, Martin & Green, 2007). Professional learning is very important in this regard.

Professional learning and development can be achieved through organizational knowledge or by individual development. In either case, practitioner research plays a critical role. Practitioner research facilitates professional learning through the creation of collective knowledge base (Williams & Schubert, 2017). A unique feature of practitioner research is that all work, including presentations, focus-group discussions, and interviews, that happens during the research process is documented in detail and can be shared with the whole organization. The researcher makes the results available in the form of documents, tables, infographics, descriptions of methods, techniques and guidelines. In so doing, the organization is building collective knowledge.

Another way practitioner research facilitate professional learning is through the development of shared understanding (Williams & Schubert, 2017). The outcomes of practitioner research provide recommendations and guidelines regarding management, governance and compliance, among other critical aspects of procurement. Such recommendations are a practical outcome welcomed by those struggling to manage these complexities in the organization.

Similarly, practitioner research engenders adoption of critical thinking and stance towards practice. A critical stance is not built on assumption that there is a single "truth" about practice. There may be many "truths" held by individual practitioners and shared within groups or which can be shared within groups (Fox, Martin & Green, 2007).

In the process of engaging individual participant during personal interviews and discussions each participant undergoes a personal learning experience about his or her own practice. Same goes for one-on-one sessions with subordinated colleagues. Such sessions provided a framework for each colleague and the researcher to critically evaluate their practice over the years, and in so doing attain critical learnings about their practices.

Again, practitioner research provides a mode of reflective analysis of practice. One-on-one sessions, interviews, and discussions provided rooms for both individual (personal) and collaborative (shared) reflection on practice. Reflexive practice means examining critically the assumptions underlying practitioners' actions, the impact of such actions, and what we take to be good management practice (Cunliffe, 2016).

Practitioner research also leads to an emancipatory orientation through systematic and sustained examination of learning.

### **3.5.3 CHALLENGES IN PRACTITIONER RESEARCH**

Despite the obvious utility of practitioner research, it is attended by a number of challenges. First, individualistic, agenda-driven, and outcome-guided research can create a tension with values of collaboration, flexibility, and adaptability which underscores community-participatory (collaborative) research approaches (Fouche & Chubb, 2016).

Similarly, choosing or defining research participants – practitioner research entails a decision on boundaries such as those to be included or excluded, those to participate or not. Ethically, the consents of participants are imperative (Fouche & Chubb, 2016). Furthermore, there is the challenge of confidentiality (Fouche & Chubb, 2016). Confidentiality of the process somehow can be compromised since the researcher and the participants are colleagues. This may create a challenge in implementing research outcomes and defeat the purpose of capacity building which in the first place was the reason why the research was undertaken.

Again, practitioner research can present a case of conflict of interest, whereby as an insider the researcher can be seen to exploit participants some of who may not be in apposition to freely give their consent or withhold it; and others whose career or mobility in their career may have to depend on the outcome of the research. This may result in unintentional silencing of voices (Fouche & Chubb, 2016).

Another challenge that attends practitioner research is the issue of power relationships and vulnerability of researcher and participants (Fouche & Chubb 2016). Power differentials or power imbalance between researcher and participants both superior and subordinate, impact the research process. While power differential may appear to weigh in the favour of researcher in respect of subordinates, the opposite ensues with superiors. Thus while subordinates might not feel free to volunteer relevant information, the researcher might feel intimidated to freely probe superiors.

Furthermore, colleagues may become reluctant to engage in the research process or to address the issues of holistic assessment of procurement practice to which this research tries to draw attention (Fox, Martin & Green, 2007). They might become afraid or uncomfortable to speak their minds in the presence of others. When colleagues perceived themselves as the targets of the research, they will not be eager to volunteer critical information or the true state of affairs. Withheld information could be such information as necessary for creation of knowledge about the practice of procurement. Thus the potential for knowledge creation by practitioners may not be fully exploited (Fox, Martin & Green, 2007).

At the management levels, bureaucratic red tapes may pose a challenge as superiors might feel that research may expose perceived incompetence or underhand practices. For example, a Chief Procurement Officer may not be eager to cooperate with researcher due to fear that their nepotism in appointing staff (procurement managers and specialist buyers) and award of contracts might be exposed.

As an employee in an organization, a practitioner researcher has a reasonable level of understanding of their environment, insight and experience not only of the theoretical aspects of their area but also of the organisational dynamics (Coghlan & Casey, 2001). This is actual one's daily lived experience and understanding of the policies and procedures which sometime create a bottle neck in executing your duties and meet your stipulated lead times. As an employee of a state-owned organisation one has to comply with the processes that govern the organisation and on the other hand, the organisation must operate as a business and have to meet the targets just like any other business. Customer satisfaction is of critical importance. Within such a system of bureaucracy and red tapes, it becomes a challenge to conduct a practitioner research.

### **3.6 THE ROLE OF THE RESEARCHER**

#### **3.6.1 RESEARCHER'S ROLE AS A PRACTITIONER RESEARCHER**

While investigating the utility of procurement as an instrument of radical economic transformation, the researcher was mindful of his role as a practitioner researcher evaluating and interpreting evidence. Thus the researcher had to consciously put aside personal biases and prejudices and made deliberate efforts to obtain accurate evidence (Creswell, 2007). In order to achieve this, the researcher established a cordial relationship and trust with colleagues in TPT, as well as key informants (interviewees) from selected businesses that have benefitted from TPT supplier development (SD) and enterprise development (ED) programmes. She was also mindful of the effects potential superior versus subordinate power dynamics can have on the quality of evidence generated in practitioner research (De Vos, Strydom, Fouche, & Delpont, 2002).

The researcher was careful to clarify her position before conducting interviews. Participants were duly advised that the study was purely an academic research, and was not commissioned by the government or a non-governmental organisation (NGO). All engagements and interviews were carried out with informed consent of the participants throughout the evidence gathering process. The researcher ensured that participants understood the purpose of the study in order to ensure that participation was voluntary and not coerced (De Vos et al., 2002). The researcher also received ethical approval from the University of KwaZulu-Natal to conduct the study. In order to avoid any kind of misunderstanding and suspicion, all interviews and focus group discussions were conducted at locations and convenience of participants.

#### **3.6.2 OBSERVATION AND LEARNING**

The qualitative approach to evidence gathering presents experiential evidence through observation and engagements with actors (Mason, 2002). Observation is a method of research in which the researcher records conditions, events, and activities through a non-inquisitorial involvement in the study of a phenomenon (Walliman, 2005). It is “the empirical process of using our senses to recognize and record factual events” (Graziano & Raulin, 2000:30). Observation offers the researcher opportunity to record and analyse behaviours and interactions as they occur, thereby allowing experiences, actions and events to be seen through the eyes of the researcher (Ritchie, 2003). Observation is particularly useful when

investigating a process that involves several actors especially where an understanding of non-verbal communications are essential (Graziano & Raulin, 2000; Ritchie, 2003). Being positioned in close proximity to the study site and being directly involved in initiating economic empowerment projects of TPT's procurement department, increased the researcher access to managers and beneficiaries of the projects. This enhanced the researcher's understanding of the nature of TPT's economic empowerment programme, its economic, social, political, and historical context, as well as the influence of non-governmental actors in shaping this programme.

The ESD portfolio of TPT's procurement department was instituted to strategically coordinate among other things, the economic empowerment of previously disadvantaged groups and individuals. This is done through enterprise development and supplier development. A detailed exploration and description of the mandate of TPT's ESD portfolio was undertaken to understand the ESD operations, its strategies, its relationship with the hierarchy of TPT procurement department, its relationship with the various types of beneficiaries of its programme, and its relationship with governmental and non-governmental actors. As an insider in TPT procurement processes and directly in charge of ESD, regular conversations with the managers of ESD projects provided clarifications of issues as they arose. In addition to interaction with TPT managers of ESD, ongoing conversations with the managers or owners of PDI-owned businesses that benefited from TPT ESD projects gave the researcher a greater understanding of how they interpreted and implemented TPT's economic empowerment mandate.

This study began with the selection of some beneficiaries of TPT's ESD programme as well as some contractor entities that have been involved in TPT ESD projects. The researcher was a participant observer in this investigation. A participant observer is involved the process or activity of the phenomenon being studied (Walliman, 2005). Participation observation involves the researcher being immersed for a sustained period of time in the life of the people or phenomenon being studied (Blaikie, 2000). In participant observation, "the researcher joins the constituent study population or its organisational or community setting to record actions, interactions or events that occur" (Ritchie, 2003:35). According to Blaikie (2000:234) "Participation observation can be practiced in a variety of ways, ranging from total participation to mainly observation, and various combinations in between. It is not

uncommon for a researcher to use both extremes as well as some combination in the same study.” Thus, participant observation allows the researcher to not only study phenomena as they arise, but also to gain additional insights by experiencing the phenomena themselves, thereby providing the researcher direct access into the meanings the study population holds about the study phenomena (Ritchie, 2003). As the ESD senior manager in TPT, the researcher was immersed in the processes and activities of the procurement department of TPT. In addition, the researcher also a participant observer in the activities of the selected contractor entities as well as selected PDI business beneficiaries of TPT ESD projects through various monitoring and evaluation exercises which are part of ESD programme. Observations were recorded in field notes. These observations provided the initial entry into data collection on TPT’s contribution to economic transformation through its procurement process.

### **3.7 DATA COLLECTION TOOLS AND ANALYSIS**

#### **3.7.1 DATA COLLECTION TOOLS**

Qualitative research involves gathering data in the form of words, for example, interview notes, focus groups discussions transcripts, open-ended interviews, video recordings, accounts of experiences, the internet and publications (Sekaran & Bougie, 2016). A variety of methods was employed to gather evidence for the analysis of procurement processes as instrument for radical economic transformation. These included interviews, documents analysis as described by Saunders et al (2007). Thus this study triangulated these methods of evidence gathering to ensure a balanced analysis of the “why”, “what” and “how” of TPT employing procurement process in the pursuit of South Africa’s radical economic transformation.

Thus, this study used semi-structured personal interviews, focus group discussions, and official documents as tools for data collection. Documents such as minutes of meetings, policy documents, contractual documents and agreements enriched the analysis of the processes and content of TPT ESD programmes. Desk research, needs and market analysis by cross-functional teams (CFT), and analysis of monitoring and evaluation of the performances of beneficiaries of ESD initiatives were used. Semi-structured interviews were conducted for the executives/senior managers and focus group discussion was conducted for the junior managers. In total, 16 interviews and 1 focus group discussion were held.

### **3.7.2 QUESTIONNAIRE DESIGN AND DEVELOPMENT**

Questionnaires were developed following review of the literature relevant to economic transformation. A semi-structured questionnaire was generated. This was used to gather evidence from TPT managers and senior managers involved in procurement and ESD, as well as executives/owners of beneficiary businesses of PDIs. This questionnaire also provided the framework for the FGD.

The questionnaire was divided into 5 sections. Each section was informed and shaped by the review of literature and initial informal observations and discussions between the researcher and colleagues at TPT on the one hand, and ESD beneficiary businesses on the other hand. This instrument was used to assess the level of knowledge of the concepts of LED and radical economic transformation among Transnet Port Terminals SCM staff and stakeholders, to evaluate whether TPT's procurement has been successful in promoting LED and transformation, and to examine the challenges to successful use of SCM for LED and transformation by Transnet Port Terminal. The questionnaire was also used to explore how TPT can use procurement to promote radical economic transformation, as well as ways TPT's ESD programme can contribute to radical economic transformation.

### **3.7.3 FOCUS GROUP DISCUSSIONS**

Focus group discussion (FGD) as a qualitative research method was particularly beneficial as it provided a conducive forum for the researcher to ask questions in an interactive group setting (Frankfort-Nachmais & Nachmais, 2008). The group interaction made possible by focus group discussion produces insight and information that would have been difficult to achieve in a personal interview (Lindlof & Taylor, 2002). FGD also engenders the stimulation of memories and recollection of experiences that discussants may share with one another (Frankfort-Nachmais & Nachmais, 2008).

The FGD was held at the Head Office of TPT, Durban. The location was familiar and easily accessible to participants. FGD was scheduled for a time convenient for the discussants. Discussion was conducted in English language. However, comments made in IsiZulu were translated into English language by the researcher who is an IsiZulu speaker. Participants were advised of the objectives of the FGDs. Key issues discussed during the FGD were same

as articulated in personal interview questionnaires. Discussion was recorded on a digital recorder allowing for an accurate recall of details of discussion. The FGD was conducted by the researcher.

Focus group comprised junior managers and subordinates to portfolio heads who are directly in charge of procurement in TPT. Discussion centred on how procurement has been used to empower PDIs and how it can be used to pursue radical economic transformation.

#### **3.7.4 INTERVIEWS**

The exploration of the use of procurement as an instrument of radical transformation required an understanding of the social, political, and economic contexts within which TPT carried out its empowerment programmes. Similarly, the roles of other stakeholders were also examined. This included the senior executives/owners of the various PDI-owned businesses that benefited from TPT's ESD projects. In order to achieve this, interviews were conducted to gather evidence in this study.

According to Easwaramoorthy & Zarinpoush (2006:1) "An interview is a conversation for gathering information." Interviews are appropriate when there is need to collect in-depth information on people's opinions, thoughts, experiences, and feelings (Easwaramoorthy & Zarinpoush, 2006). Interviews can be unstructured, structured or semi-structured. In semi-structured interviews, all interviewees answer a set of same questions. However, additional questions might be asked during the interviews in order to either clarify or further expand certain issues, or both.

Semi-structured interviews were conducted with The Chief Procurement Officer (CPO) of TPT, heads of portfolios, namely, Sourcing, Reverse Logistics, ESD, and Governance, regional manager, Durban, executives/senior managers of five contractor business entities, executives/owners of five incubator business entities of previously disadvantaged individuals (PDIs). Such interviews had the advantage of adaptability. The interviewer could follow up ideas, probe responses and investigate motives and feelings (Bell, 1999).

#### **3.7.5 FIELDWORK SCHEDULE**

Tables 3.1 and 3.2 detail the schedules of fieldwork as planned and executed by the researcher, and include person-to-person interviews and focus group discussions.

**Table 3.1: Schedule of Interviews**

No	Department	Relationship/Portfolio	Respondent	Instrument
1	Supply Chain Management (SCM)	TPT Procurement Staff	Chief Procurement Officer (CPO)/ Reverse Logistics Manager	Person-to-person interview
2	Sourcing	TPT Procurement Staff	Senior manager	Same
3	ESD	TPT Procurement Staff	Manager	Same
4	Governance	TPT Procurement Staff	Senior manager	Same
5	SCM	TPT Procurement Staff	Regional manager	Same
6	Black Umbrellas (Shanduka)	TPT Contractor	ED Manager	Same
7	Bosch Ulwazi	TPT Contractor	Managing Director	Same
8	Durban Chamber of Commerce and Industry	TPT Contractor	ED Manager	Same
9	Ohpinsnevest	TPT Contractor	Managing Director	Same
10	Jupilog	TPT Contractor	Managing Director	Same
11	Prompt IT Solutions	Beneficiary	Managing Director	Same
12	Siyazenzela Trailers Training Enterprise	Beneficiary	Managing Director	Same
13	Getzz Projects	Beneficiary	Managing Director	Same
14	Chumile Holdings (Pty) Ltd	Beneficiary	Director	Same

**Table 3.2: Focus Group Discussion**

<b>Department</b>	<b>Focus Group</b>	<b>Location</b>
SCM	Teams reporting to portfolio heads	TPT Head Office, Durban

### **3.7.6 OFFICIAL DOCUMENTS**

According to Helm (2000:1) documentary evidence is the use of “socially produced” documents which provide a record of the social world. Such documents reflect the society at the time they were published. Documentary evidence include the use of “public records, both state and independently produced; media; private papers; visual document, such as advertisements, posters, statues; and visual presentations, such as photographs” (Helm, 2000:1).

Official documents provided an important evidence gathering component. Documents such as minutes of stakeholders meetings, policy documents, contractual documents and agreements enriched the analysis of the use of procurement as instrument of radical economic transformation by TPT.

### **3.7.7 STUDY SITE**

The site of this study was the Headquarters of Transnet Port Terminals, Kingsmead, in the heart of Durban city. It was chosen as the site for this study as it is the home for TPT’s procurement department and all its associated portfolios that formed part of this study.

### **3.7.8 SAMPLING**

Non-probability sampling was used in this study. Unlike in probability sampling in which each member of the population has a known, nonzero probability of being chosen (Maxwell, 2005), in non-probability sampling, there is no guarantee of nonzero chance of a population member being selected. Non-probability sampling is generally seen as convenience sampling (Maxwell, 2005). Convenience sampling involves using what is immediately available, for example, examining work practices in one’s firm (Walliman, 2005). A commonly used non-probability sampling method is the purposive sampling. In purposive sampling, particular persons are deliberately selected in order to provide information that can’t be gotten as well

from other choices (Denscombe, 1998; Maxwell, 2005; McBurney, 2001); for example, “people who are uniquely able to provide to be informative because they are expert in an area or were privileged witnesses to an event” (Maxwell, 2005:88).

A purposive sampling technique was employed by the researcher to select key informants who were involved in TPT procurement, as well as key informants from contractor entities that provide services to TPT and businesses owned by PDIs. This sampling technique enabled the researcher to use her discretion to select and interview those that knew most about TPT’s procurement and empowerment programme (Saunders et al., 2007; Walliman, 2005).

This study focused on Executives/Senior managers of TPT, contractor business entities, and incubator business entities. Out of these categories five (5) executives/senior managers from TPT were selected including the Chief Procurement Officer (CPO) of TPT, and Heads of Portfolios, namely, Sourcing, Reverse Logistics, ESD, Governance, and Regional manager, Durban. Similarly, five (5) Executives/Senior managers of five contractor business entities that provide empowerment services to TPT were selected as well as five (5) Executives/Owners of five incubator business entities of previously disadvantaged individuals (PDIs) who have benefitted from TPT empowerment programme. In total there were 15 executives/senior managers.

Junior managers were participants in focus group discussions (FGD). These were selected from teams reporting to the selected five heads of portfolios. Five (5) junior managers participated in FGD.

### **3.7.9 DATA ANALYSIS**

Qualitative research is self-reflective in nature. The researcher was mindful of the need to disassociate self from the context, in order to critically analyse the evidence gathered through observations and informal discussions in the field (Creswell, 2007).

A verbatim transcription of the digital recordings of key semi-structured interviews and FGDs was done in order to ensure authenticity and maintain the meanings that emerged from interviews and discussions. However, where necessary, some editing was done in order to

improve readability. Responses to all questions were coded according to themes reflective of the questionnaire. Each transcribed interview and focus group discussion was vetted, numbered and arranged according emerging themes. A qualitative analysis was carried out drawing upon the transcripts of interviews and FGDs. These and other relevant documents and literature were also incorporated to support the validity and reliability of the findings.

### **3.8 VALIDITY AND RELIABILITY OF RESEARCH FINDINGS**

Validation and reliability of qualitative research are arrived at by judging the amount of time spent engaging with the research environment and respondents (Creswell, 2007). Maxwell (2005) notes that repeated observations, interviews, and sustained presence of the researcher in the research setting, can improve the validity of the study findings. According to Maxwell (2005) validity is a goal to be achieved rather than a product to be manufactured. It is not something that can be proved or taken for granted. It is also relative and has to be assessed in relationship to the purpose and circumstances of the research, rather than being a context-independent property of methods or conclusions. Maxwell (2005) further notes that validity does not depend on techniques but on the relationship of research conclusion to reality, and there are no methods that can completely assure that a researcher captures this reality or the relationship. Walliman (2005) notes that validity is determined by logic not by content. Validity does not imply the existence of any objective truth to which an account can be compared. Thus, a researcher does not have to appeal to any objective truth to have a valid conclusion. All that is needed is to have a truth to stand on (Maxwell, 2005).

Maxwell (2005) takes validity to refer to the correctness or credibility of a description, conclusion, explanation, interpretation, or other sort of account. Both Maxwell (2005) and Creswell (2007) agree that it is inappropriate to use quantitative research criteria to assess reliability in qualitative research. Creswell (2007:203) asserts that the use of the term “validity” neither guides nor informs qualitative research, thus it is more appropriate to use “credibility.” Thus in qualitative research to gauge credibility rather than validity is more apt.

Again, the credibility and reliability of research findings can be established by the triangulation of multiple evidence sources (Maxwell 2005). The credibility of findings from the exploration of the utility of procurement as an instrument for radical economic

transformation was tested by using triangulation. Evidence gathered from key interviews, FGDs, informal discussions and observations of the various stakeholders were analysed and presented as the results of this study.

### **3.9 RESEARCHER'S MOTIVE AND INTEREST IN THE STUDY**

The field of procurement is a dynamic one and requires constant updating of knowledge and skills by practitioners. Development and training of procurement practitioners must be an ongoing process. The primary motivation for this study derives from the researcher's desire to explore the critical interventions of the government of South Africa in the bid to address the ubiquitous economic exclusion of majority of South African citizens. Holding a black empower portfolio in the procurement department of a state-owned enterprise, the researcher is interested in exploring the possibilities of utilizing procurement to further economic transformation in South Africa.

Reasonable amount of research has been conducted in the field of procurement and economic development. Recent studies also have dwelt on describing and analysing the recently introduced policy of radical economic transformation. However, none of these studies explored the use of procurement in a state-owned enterprise as veritable instrument for pursuing radical economic transformation.

Transnet Ports Terminal (TPT) has been at the forefront of economic empowerment of previously disadvantaged individuals (PDI) and economic transformation through its procurement processes. As an SOE in a critically important industry, TPT possess the capacity to contribute meaningfully to the current drive by the government of South Africa to radically ramp up economic transformation. The researcher is interested in exploring how can deploy its procurement processes as an instrument for radical transformation.

### **3.10 ETHICAL CONSIDERATIONS**

This study involved a cross section of clients, colleagues, and beneficiaries of TPT ESD projects. Their right to confidentiality and privacy was of significant importance and was guaranteed. Thus the purposes of the study were explained to them and their informed

consents were obtained. Ethical clearance was also obtained from the University of KwaZulu-Natal.

### **3.11 SUMMARY**

Every research is carried out within the framework of a research design upon which it is based and directed, as research design is the logical and coherent articulation of a research, its various components and the relationships between them. This chapter described the design and methodology adopted for this research. It presented the description of relevant components of this study which explores the use of procurement as an instrument for radical economic transformation, using TPT as a case study. It also presented a brief description of the sites where the study was conducted, the population of respondents, and the methodological technique use to collect data or evidence for the study. It described the context of the study, and the position of the researcher as a practitioner researcher in ESD initiatives of TPT procurement department. It also mapped the route taken by the researcher in gathering evidence, analysis and writing up research report for this study.

## **CHAPTER FOUR: RESEARCH FINDINGS**

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### **4.1 INTRODUCTION**

This chapter presents the findings that emerged from this study. It fairly and adequately presents the responses and views of the respondents that participated in the study. In this chapter, presentation of respondents' responses was done verbatim. However, in a few cases the researcher edited or modified responses to make for better readability and understanding. As much as possible, this chapter tries to capture responses from all categories of respondents to all research questions where respondents provided answers.

This chapter is divided into six sections. Following this introduction the second section presents findings on the level of knowledge of radical economic transformation (RET) among procurement staff at TPT and other stakeholders. The third section is on whether TPT's procurement has been successful in promoting economic transformation (ET). In the fourth section, the challenges that TPT faces in using procurement for ET is dealt with, while the fifth section presents findings on how TPT can promote RET. Finally, the sixth section presents findings on the ways that TPT's ESD programme can contribute to RET.

### **4.2 LEVEL OF KNOWLEDGE OF THE CONCEPT OF RADICAL ECONOMIC TRANSFORMATION AMONG TRANSNET PORT TERMINALS PROCUREMENT STAFF AND STAKEHOLDERS**

Respondents showed various levels of knowledge and understanding of the concept of radical economic transformation. However, there is some reasonably high levels of knowledge and understanding of the concept. When asked to say what they know or understand about the concept of radical economic transformation, the respondents gave the following answers:

Radical Economic Transformation is mainly described as a fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all citizens, especially the poor, the majority of whom are African and women (FGD, 09/04/2019).

Similarly, the ED Manager of Durban Chamber of Commerce and Industry (DCCI) states that:

It's a concept of fast tracking economic participation of the ordinary South Africans by way of land redistribution for economic use, access to economic opportunities at large scale and especially those that have always been the privy of the exclusive few, and access to other economic resources for the African population. It has also become a political talk used by politicians to garner support from the poor and the marginalised (Enterprise Development (ED) Manager, DCCI, Interview, 07/03/2019).

Furthermore, the concept of radical economic transformation is described as the "Rapid, deliberate inclusion of previously disadvantaged people to the mainstream economy" (Enterprise and Supplier Development Manager: Black umbrellas, Interview, 02/03/2019).

The senior Manager: Governance at TPT stresses that his view:

is not a TPT view, but my personal view is that, this is a concept that came about through political spheres which is aimed at transforming SA economy so that a broader community more especially black people, black youth, black woman can benefit economically in the government procurement of goods and services (Senior Manager: Governance, TPT, Interview, 08/04/2019)

RET is also correctly seen as the acceleration of the speed of economic transformation. The Managing Director of Bosch Ulwazi describes it as "Accelerated change in the economy where the shift of empowerment has to be speeded, at times taking chances to achieve the change" (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). Similarly, another respondent describes RET as the "Rapid, deliberate inclusion of previously disadvantaged people to the mainstream economy" (Regional Manager, Black Umbrellas, Interview, 29/04/2019). In the same vein, the Acting CPO of TPT stresses that "My understanding is that the transformation must be done and seen in a short time of space as it is presumed that it is taking very long" (Acting CPO, TPT, Interview, 02/04/2019).

Furthermore, in addition to the understanding that RET as a policy is targeted at accelerating the pace of economic transformation, it is also understood in terms of its political origin or source "The source is political and is being used as a political slang. The results thereof are yet to be seen. Main issue is access to key economic resources" (ED Manager: DCCI, Interview, 07/03/2019).

A focus group discussant agrees that:

The concept of radical economic transformation is one that has commonly been used in the political arena and is said to refer to drastically accelerating the progress of transformation as it is said to be slow and stagnant (FGD, 09/04/2019)

Another respondent describes RET as “An initiative driven by government to significantly increase the level of black ownership and control in the National Economy” (Executive Director, Jupilog Consulting, Interview, 02/05/2019).

A Senior Sourcing Manager at TPT agrees that:

Radical Economic Transformation is Government’s initiative that aims to support black owned companies through Government’s procurement process to support women and youth businesses including those dealing on locally produced goods and services in order to create much needed jobs (Senior Sourcing Manager: TPT, Interview, 29/03/2019).

The intention and scope of RET also came to the fore during the discussion. Thus, it was stated that:

The Government intention is to empower black women and youth owned companies through procurement by ensuring that a portion (30%) of the work awarded to a big company is subcontracted to a small company. The Government also wants to ensure that the big companies transfer skills to the small companies that are operating within that particular space in order for the small companies to grow and compete at the same level as the big companies. With the empowerment of women and youth the rate of unemployment and poverty will be reduced. (Senior Sourcing Manager: TPT, Interview, 29/03/2019).

Another perspective to the intention of RET is that of reduction in inequality in South Africa. Thus, it is described as “An initiative/movement that seeks to advance the economic interest of the previously disadvantaged groups” (Managing Director: Ohpinsnevet, Interview, 04/04/2019). In the same vein, the ESD Manager at TPT related the concept to “The creation of more viable growth, as well as reduction of inequality in South Africa through changes in economy of South Africa” (Enterprise and Supplier Development (ESD) Manager, TPT, Interview, 08/03/2019)

In addition to its equity content, RET is also seen as a policy to create a non-racial South Africa. Accordingly, a focus group discussant noted that:

Radical social and economic transformation is about creating a South Africa where all its citizens, black and white, share equitably in the country's economy," he said. "It is about implementing programmes that deracialise ownership and control of our economy to benefit South Africans as a whole. (Regional Manager, SCM, TPT, Interview, 05/04/2019).

What is the content of Radical Economic Transformation (RET)?

In response to the question "what is the content of RET?" the respondents' answers also varied. The answers depended on each respondent's understanding of the question. For example, some respondents appeared to have a good grasp of the question and provided direct and concise answers while others provided general and broad answers. A focus group discussant stated that:

Debates in the political area around radical economic transformation have primarily been based on the following issues: Land ownership, equitable distribution and access to economic transformative tools and resources, concept of Monopoly Capital, the transfer of economic power and control from the clutches of minority groups (FGD, 09/04/2019).

Another focus group discussant said that "RET main content is to ensure that majority of South Africans has access to ownership and control of the South African economy" (FGD, 09/04/2019). Similarly, RET was described as "Transforming PDI's economically in order for everyone to be equal" (Acting Chief Procurement Officer: TPT, Interview, 02/04/2019).

Some respondents described the content of RET in terms of business approach and approach to public procurement. For example a respondent saw RET as:

Approaching businesses with a view of negotiating meaningful sharing of opportunities with the PDIs more especially the local communities in which the businesses operate (Managing Director: Ohpinsnevets, Interview, 04/04/2019).

In similar vein, another respondent replied:

I think it is intending to change public procurement in the Republic of South Africa, with a view of bringing the category of people mention in 1 above in par with their white counter part. (Senior Manager: Governance, TPT, Interview, 08/04/2019).

Other respondents described the content of RET in terms of racial dimension. For example, a respondent stated that it is “Changing the racial and gender composition of the ownership, control and management of the economy” (Regional Manager: Black Umbrellas, Interview, 29/04/2019). Another respondent listed the following as the content of RET:

Heightened black ownership and control requirements for bidders in State procurement, State support measures and in the awarding of opportunities subject to State approval, and Promotion of black industrialists (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

As to the question: “What did the government intend to achieve through RET?” the responses were varied and nuanced. The party politics exigencies and socio-economic imperatives came to the fore in the answers. The respondents mentioned the political as well as the wealth redistribution elements of RET and its intended goal to close socio-economic gaps. For example one respondent stated that until now RET is more of a political tool than a socio-economic transformation policy:

As far as I am aware I have not come across a government policy that is labelled Radical Economic Transaction. This was more intensified by politic factions within the ANC on a build up to Nasrec (Senior Manager: Governance, TPT, Interview, 08/04/2019).

However, another respondent stated that government intension with RET is “Other than votes from the African population, I guess a robust way of redistributing wealth” (ED Manager: DCCI, Interview, 07/03/2019). Another respondent stated that “It is intended to close the gap on previously disadvantaged groups faster than the normal” (Acting CPO: TPT, Interview, 02/04/2019). Similarly, another respondent stated that the intension of the government is an “Equal distribution of the economy in line with the demographics of South Africa” (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

Furthermore, another respondent stressed the economic elements of RET. This respondent stated that the intended goal of RET included:

Increased black ownership and control in the national economy, broader participation in the economy through introducing new major players, and building an inclusive economy (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

A focus group discussant noted that:

through Radical Economic Transformation the government intends to change the structure of the economy to advance manufacturing and beneficiation, investment of more resources in productive activities, and comprehensive broad-based economic empowerment (FGD, 09/04/2019).

It was also noted that RET was intended to massively impact poverty and inequality through. According to a respondent, the intension is “Job creation on a scale that makes massive impact on poverty and equality” (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

How is the government pursuing radical economic transformation?

The next question in finding the level of knowledge and understanding of the concept of RET among the various stakeholders, was “How is the government pursuing radical economic transformation?” as with other responses to previous questions, answers to this question were also varied and nuanced. Responses progressed graphically from strong denial that government has pursuing this agenda to concession of some form of activities on the part of government in pursuit of RET. One of the respondents denies RET is yet a government policy:

This is not a government policy. Therefore I have not seen any policy or document addressing this. I cannot even bring the 2017 Regulations into the picture, as the Regulations are no near addressing RET (Senior Manager Governance: TPT, Interview, 08/04/2019).

In the same vein, a focus group discussant re-echoed this sentiment by saying that:

There is little or no evidence of radical economic transformation being pursued as an actual government policy, apart from it being a theme/ buzz word used in the political arena (FGD, 09/04/2019).

Similarly, another discussant stated “I can’t clearly state how the government seeks to pursue radical economic transformation because it not a ruling party or government policy” (FGD, 09/04/2019). Another respondent replied that government has pursued RET “So far by talking, I am not aware of anything else. The legislation is there but it is not as effective as it is supposed to be” (ED Manager: DCCI, Interview, 07/03/2019).

However, some respondents conceded some positive action on the part of government in pursuit of RET. One of such respondents stated that government has pursued RET through the following:

Heightened Preferential Procurement requirements in legislation, increased industrial participation and local content requirements for large capital projects, measures to promote and support the emergence of new black industrialists, and alteration of legislation to facilitate expropriation of productive assets (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Another respondent stated that the government has done this “Through procurement of basic services and needs from all government departments and entities” (Regional Manager: Black Umbrellas, Interview, 29/04/2019). Yet another respondent noted that government pursued RET “Through the strict adherence to the goals of the BEE codes of practise by starting from within government organizations and clients” (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). Again, RET is said to be pursued through the implementation of “Supplier Development, sub-contracting as per National Treasury’s instructions” (Acting CPO: TPT, Interview, 02/04/2019).

How is RET different from Economic Transformation (ET)?

On the difference between economic transformation (ET) and radical economic transformation (RET), there was a convergence of views that the difference was not much but the depth, speed and accessibility of RET is the difference. Distinguishing between ET and RET, a respondent said that the two are “Not similar at all, RET is only focusing on a section of people when ET is a holistic approach intended address economic transformation of the country” (Senior Manager Governance: TPT, Interview, 08/03/2019). Similarly, another respondent stated that:

Economic development focusses on improving the economy in SA with the end result being growth and improved employment whereas RET focusses on redistribution of

wealth and the economy as per the demographics of SA (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

The speed and scope of ET and RET were also identified as distinguishing factors between them. A focus group discussant stated that:

Economic transformation is the continuous process of moving labour and other resources from lower to higher productive sectors and Radical economic transformation focuses on speeding up that process and to be more accessible to the previous marginalised societies especially women and people living with disabilities (FGD, 09/04/2019).

Following this line of argument, another respondent noted that “The gist is about economic transformation to bridge the inequality gap” (ED Manager: DCCI, Interview, 07/03/2019). Another respondent agreed that the difference between ET and RET is that “It should be faster and quicker than normal ET” (Acting CPO: TPT, Interview, 02/04/2019). A focus group discussant reiterated the pace of RET as the difference between the two, saying that “Radical economic transformation has been posed as an initiative amid at drastically increasing the pace at which economic transformation is taking place” (FGD, 09/04/2019). Furthermore, a respondent concurred that “RET is a more accelerated approach as opposed to ET” (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

Similarly, another respondent distinguished RET from ET on the basis of:

Larger scale and scope, accelerated and more direct measures to increase black economic participation, especially among larger holders of ownership in the economy. The previous approach placed greater reliance on such elements as co-operation by major shareholders and senior management, incentivisation of voluntary compliance and natural attrition. Use of targeted large-scale investments with a specific focus on RET to increase new high-level black competitors (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Thus, the general opinion of respondents on this question of difference between ET and RET is that there “is not so much different except that Radical Economic Transformation is much more in depth” (ESD Manager: TPT, Interview, 08/03/2019).

### **4.3 HAS TPT's PROCUREMENT BEEN SUCCESSFUL IN PROMOTING ECONOMIC TRANSFORMATION?**

On the question of whether TPT has successfully used its procurement processes to promote economic transformation, answers from respondents are both positive and negative. On a positive note, a respondent believes that TPT has been successful in using its procurement to promote economic transformation by saying "Yes I believe so, but to a certain extent" (Acting CPO: TPT, Interview, 02/04/2019).

Asked "How is TPT contributing to the implementation of ET?" a focus group discussant said that:

TPT has contributed in the implementation of ET by introducing Supplier development programme as it policy and obligation to increase the competitiveness, capacity and capability of the South African supply base (FGD, 09/04/2019).

Similarly, a respondent positively asserted that "TPT is vigorously developing emerging black owned enterprises to become bigger suppliers to Transnet thus improving the transformation process" (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). Another respondent posited that TPT provides "Training and development of small black businesses so that they can become sustainable and competitive" (Regional Manager: Black Umbrellas, Interview, 29/04/2019). Again, another respondent asserted that TPT contributes to ET by providing "Support for emergence of new entrepreneurs and industrialists and by creation of opportunities through local procurement" (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Some respondents were neutral and more nuanced in their approach to this question. While not committing to a positive or negative position, they saw opportunities for capacity building through TPT. According to one of these respondents:

I am not a beneficiary of economic opportunities presented by TPT. I am aware though that they do subscribe to the PPPFMA and I think there is great opportunity to build local capacity through the 30% sub-contracting clause in their big tenders. Also smaller initiatives focussing on the youth and the disabled, even though I'm not sure on the impact of such novel initiatives (ED Manager: DCCI, Interview, 07/03/2019).

Similarly, another respondent agreed that TPT's contribution to ET is "Not that much, however in the quotation space TPT intends to reserve the quotations for the designated groups" (Senior Manager Governance: TPT, Interview, 08/03/2019).

On the negative side, a respondent denied that TPT has been successful in promoting economic transformation. For this respondent:

TPT is currently ensuring that all tenders that are issued to the market and are above R30m includes 30% subcontracting. This initiative is not as successful as it is meant to be due to resistance from the internal stakeholders (Senior Sourcing Manager: TPT, Interview, 29/03/2019).

Again, this respondent pointed out that:

TPT as an organisation has not successfully implemented economic transformation because there are instances where the bid has subcontracting and there are valid agreements between the primary contractor and the subcontractor but the main doesn't intend to empower the sub with the necessary skills but opt to pay the subcontractor money having not done any work. This is defeating the intentions of economic transformation because it is intended for transfer of skills (Senior Sourcing Manager: TPT, Interview, 29/03/2019).

What particular instances has TPT (stakeholders) contributed to ET (SMMEs, Localization)? When asked to indicate particular instances where TPT and other stakeholders have contributed to ET, for example, SMME development or localization, a participant in focus group discussion asserted that:

They have contributed by encouraging larger companies to partner with smaller companies to develop the local supplier base such as sourcing locally previously disadvantaged individuals in the economy (FGD, 09/04/2019).

Another discussant agreed that:

There are records of verifiable data relating to TPT suppliers/Contractors, whom have in the execution of contracts awarded to them, committed to the Competitive Supplier Development programme (CSDP). This resulted in Millions of Rand being allocated to key initiatives that have a significant multiplier effect in the local economy in addition to building local capacity and capability, by means of encouraging

supplier/Contractor (whether local or international), to source certain components locally, including the allocation of works to local companies and other Transnet operating division such as Transnet Engineering (TE) (FGD, 09/04/2019).

This discussant further argued that:

This was achieved through the inclusion of requirements for local content, subcontracting and the application of Supplier development initiative recommendations in the categories of skills development, new job creation and preservation, technology transfer, small business development and promotion including rural development and integration (FGD, 09/04/2019).

Being in agreement with the above, a respondent stated that:

Through its SD TPT has made networks with local business chambers, collaborating with National Empowerment Fund, with a view to assist the SMMEs with financial support as well as the necessary training for the SMMEs to thrive (Senior Manager Governance: TPT, Interview, 08/04/2019).

Similarly, another respondent pointed out that TPT contributed to ET through its:

Two year Sponsorship for 15 SMEs in the Black Umbrellas incubation programme and through exhibition sponsorships which promotes networking and access to markets (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

Another respondent stated that his firm:

is a black-owned TPT Enterprise and Supplier Development beneficiary. The firm received a term contract from TPT lasting a period of more than a year. The benefits were that in fulfilling its assignment, the firm had an opportunity to develop and gain experience in implementing a delivery model for one of its key services. This continues to be applied in updated form (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

This respondent further stated that:

The term contract made available a source of operating finance for a critical period, enabling the business to undertake other professional assignments.

Furthermore, the opportunity enabled the firm to establish a wide and diverse business network, including with other black professionals. The stable platform for growth created by the TPT opportunity allowed the firm to double its permanent staff component. The need for a larger staff was used to create opportunities for three recent graduates. Short-term employment opportunities were also created by specific projects (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

In addition to his own benefits, this respondent pointed out that another SMME also benefited from TPT economic transformation programme: according to him:

A small technically-orientated business known to the respondent firm was a beneficiary of an Enterprise and Supplier Programme sponsored by TPT. Aside from receiving vital equipment to bring the firm into operation, the firm also still receives regular work from TPT. The firm has since been able to scale up operations and increase its footprint in the automotive sector (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

On the contributions by other stakeholders, one respondent said:

As a stake holder we have ensured, as far as possible that our clients and suppliers are BEE compliant and are our first choice in doing business with. By ensuring we are BEE Level 1 and majority Black Owned we are complying with the requirements of TPT and good practise (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

When asked “What specific tools or instruments does TPT (stakeholders) use in pursuing ET?” a respondent answered thus: “I think the procurement space is the biggest tool. It has to be enforced and strictly monitored” (ED Manager: DCCI, Interview, 07/03/2019). Another respondent asserted that the specific tools that TPT uses in its ET programme included “ESD to ensure emerging suppliers are developed, ESD in addition to sub-contracting” (Acting CPO: TPT, Interview, 02/04/2019). A focus group discussant also pointed out that the tools that TPT uses include “Preferential procurement, the New Growth Path (NGP) and the Supplier Development Programme” (FGD, 09/04/2019). For another focus group discussant, the tools that TPT uses in pursuit of its ET programme include standout national policies and legislation such as:

Competitive Supplier Development (CSD), New Growth Path, IPAP, Broad-Based Black Economic Empowerment Amendment Act, 2013 (Act No. 53 of 2003), Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), Preferential Procurement Policy Framework Act (No 5 of 2000) (FGD, 09/04/2019).

Similarly, a respondent corroborated that TPT uses the instruments of:

Preferential Procurement, local content requirements in projects, enterprise and Supplier development to support new and emerging businesses, provided both directly and indirectly (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Another respondent pointed out that “Transferring of skills, technical training and development” are some of the tools adopted by TPT” (Regional Manager: Black Umbrellas, Interview, 29/04/2019), while another stakeholder stated the tool used by his firm in ET process. According to this respondent, “In our case our BEE Level 1 is our target to help towards ET” (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

To the question “Would you say that TPT (stakeholders) as an organisation has successfully implemented economic transformation? If no, why do you think so?” the answers followed the same pattern or trend. Some of the respondents were non-committal while others were categorically positive or negative. For example, a respondent categorically said “No. More can be done in terms of access to market/procurement opportunities” (Regional Manager: Black Umbrellas, Interview, 29/04/2019). Another respondent was not so categorical by saying “I cannot categorically say yes. The main problem is that these economic opportunities have benefitted the select few unfortunately” (ED Manager: Nanana Sabela, DCCI – 07/03/201).

Similarly, another respondent stated that it was:

Difficult to answer for I do not know of all the processes or projects that TPT facilitate but can say that they have via Bosch Ulwazi invested in the structured development of emerging enterprises to improve the TPT Black supplier base (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

While another respondent sees TPT's performance as "a work in progress" (Senior Manager Governance: TPT, Interview, 08/04/2019), on the positive side, a focus group discussant suggested that some levels of success have been achieved:

I believe TPT has been relatively successful and as a result made noteworthy progress in the implementation of policies and legislation that encourages and contributes to economic transformation. There are records of verifiable data relating to TPT suppliers/Contractors, whom have in the execution of contracts awarded to them, committed to the Competitive Supplier Development programme (CSDP) (FGD, 09/04/2019).

This discussant further stated the positive outcome of such implementation of policies by TPT. According to the discussant:

This resulted in Millions of Rands being allocated to key initiatives that have a significant multiplier effect in the local economy in addition to building local capacity and capability, by means of encouraging supplier/Contractor (whether local or international), to source certain components locally, including the allocation of works to local companies and other Transnet operating division such as Transnet Engineering (TE) (FGD, 09/04/2019).

Similarly, another respondent agreed that benefits have accrued to the implementation of ET policies:

In the Economic Inclusion aspect of transformation, that is, bringing more people into the economy at the technical and professional level and in firms offering decent jobs, TPT appears to be highly successful. At the level of changing major owners and decision-makers in the private sector, it is difficult to tell whether any changes have been brought about by policies or strategies of TPT. Further information would be required to answer this question (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Following the same line of thought a respondent agreed that there are some successes achieved although there are rooms for improvement. Thus "We are achieving some targets set for B-BBEE, still having challenges on other issues due to legislation and directives that are issued" (Acting CPO: TPT, Interview, 02/04/2019).

#### **4.4 WHAT ARE THE CHALLENGES TO SUCCESSFUL USE OF PROCUREMENT FOR ECONOMIC TRANSFORMATION BY TPT?**

Responses to this research question depended on the depth of knowledge of TPT's procurement procedures. Not all respondents were in a position to answer this section as they did not have intimate knowledge of the TPT procurement system (ED Manager: DCCI, Interview, 07/03/2019). On the other hand, respondents who are vastly conversant with TPT procurement processes identified the challenges that confronted TPT in its implementation of ET policies.

When asked "What are the challenges faced by TPT in using its procurement process to contribute to ET?" one respondent noted that "The landfield is not level. There is still a need to revise B-BBEE Act, PPPFA Regulations and focus should be on Blacks, Youth, Black women, PWDs" (Senior Manager Governance: TPT, Interview, 08/04/2019). Furthermore, a focus group discussant identified specific challenges confronting TPT in using its procurement for ET. According to the discussant:

The PPPFA is not fully applied, procurement plans are not done in time to allow assessment of commodities to use to transform for the financial year, tendering templates are complicated for small commodities, adverts cannot reach the entire population, and there seem to be lack of will power of the employees to transform instead of just doing it as part of the checklist (FGD, 09/04/2019).

Another respondent identified "Legislation, National Treasury's instructions, Transnet Group directives such as removal of SD as a Prequalification" (Acting CPO: TPT, Interview, 02/04/2019) as some of the challenges facing the organization's use of procurement to pursue ET. Similarly, another respondent noted that SMMEs find it a lot more difficult to benefit from procurement process because:

The tender process is regulated and therefore the organization that submits the best tender will acquire the work and the bigger projects will be difficult for SMMEs to acquire (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

It was also mentioned that some of the reasons why the tendering and procurement processes are difficult to use as tools for ET are because the commodities that are bought by TPT are very specialised which makes it hard for TPT to implement the PPPFA Regulations when a tender is issued. A focus group discussant observed that TPT doesn't have the necessary tools to conduct proper market analysis on the commodities that it buys, and it is important to understand the industry in terms of the suppliers within South Africa, the capacity to deliver, and what can be manufactured in South Africa so that subcontracting, local content can be set within tenders. The situation doesn't allow TPT to set aside certain commodities to be given to previously disadvantaged suppliers to compete amongst themselves instead of being forced to compete with large and established enterprises for the supply of small commodities that they could easily do (FGD, 09/04/2019).

Another focus group discussant also claimed that:

One of the challenging restricting the achievement of economic transformation is the lack of buy-in from critical internal stakeholders (within cross functional sourcing teams) who are an integral part of most of the procurement project as they lack the necessary appreciation and understanding regarding the importance of the inclusion of strategic recommendation that seek to improve and contribute to Economic Transformation (FGD, 09/04/2019).

A respondent proffered one of the usual excuses by established businesses that SMMEs lack the capacity to provide "the services that TPT needs" (Regional Manager: Black Umbrellas, Interview, 29/04/2019). However, another respondent exonerated suppliers from blames: according to this respondent:

Most suppliers find it difficult to register on TPT/Transnet supplier database. Furthermore, there is minimal knowledge of how the procurement system functions, the role of buyers and lack of information provision. Others are lack of clarity of ED/SD requirements in respect of opportunities for local suppliers to meet TPT requirements (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Asked whether "TPT procurement department frustrate ET and how?" many respondents proffered reasons for and remedies to what they saw as lapses in the processes rather than

deliberate frustration of the system by TPT procurement staff. One focus group discussant gave an emphatic “No” to the question (FGD, 09/04/2019). Similarly, a respondent agreed that TPT procurement staff did not frustrate ET. According to this respondent:

This was not the experience of the current respondent firm. There were initial “teething problems” in developing a consistent progress-reporting framework for the project, but this was expected as a new approach was involved. The problems were worked through between TPT Procurement Section and the respondent firm (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

However, a focus group discussant was of the view that while “it is a mandate of all state owned companies to ensure that they transform the economy through their procurement spend, the ET is being talked about but it’s not enforced as it should” (FGD, 09/04/2019). Another focus group discussant noted that the approach to and strategy for using procurement for ET remained fairly reactive and uncoordinated (FGD, 09/04/2019), while a respondent attributed any frustration of the use of procurement for ET to “Corruption, business as usual and lack of urgency” (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

Another question respondents were asked was whether “other stakeholders, (contractors, beneficiaries and government) frustrate ET and how?” this question received an almost unanimous response from respondents. For example, the answer of the Acting CPO of TPT was an emphatic “Yes” and for the reason that these stakeholders are “demanding TPT to give them something without following the processes, they need to understand that we are still governed by legislation” (Interview, 02/04/2019). These stakeholders were also accused of tending to frustrate ET “by not complying in due time” (FGD, 09/04/2019) and exhibiting a “Sense of entitlement” (Enterprise and Supplier Development (ESD) Manager: TPT, Interview, 08/03/2019).

In the same vein, a focus group discussant placed the blame squarely on the government. Accordingly:

Despite the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), granting powers to designate certain sectors and commodities for local manufacturing and content, not enough has been done to research on and provide recommendations on the designation of critical commodities such as port equipment

which TPT spends millions of Rand procuring and refurbishing year on year (FGD, 09/04/2019).

Another focus group discussant blamed contractors for frustrating ET. This discussant noted that:

All contractors know about the subcontracting and SD, policies developed by government such as the national development plan, national treasury regulations, PFMA, BEE Codes and other policies that should be used to execute transformation but the rate at which it is happening is low and it's for simple commodities that can be supplied by anyone (FGD, 05/04/2019).

Similarly, a respondent blamed contractors for being reluctant to contribute to ET. As stated by this respondent:

Established firms are experienced as preferring to avoid outsourcing. Where outsourcing is unavoidable, they utilise a closed network system. Large contractors also attempt to limit the roles assigned to small entities to low-value activities that do not contribute to their development (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Another respondent asserted that all stakeholders are guilty of frustrating ET. For this respondent:

Contractors are reluctant to fully transfer skills through sub-contracting. Beneficiaries do not fully exploit the services of development and growth. Government highly affects SMEs cash flow through delayed payments and corruption at certain entities and a serious lack of urgency (Regional Manager: Black Umbrellas, Interviews, 29/04/2019).

What are the policy and procedural challenges to TPT using procurement to pursue ET? Participants in this study identified some policy and procedural challenges to the use of procurement for ET by TPT. The Acting CPO of TPT identified the "Removal of SD as a pre-qualification from tenders" (Interview, 02/04/2019) as a serious obstacle to ET. Agreeing with that position, a focus group discussant asserted that "The main challenge in pursuing ET is that Supplier Development programme (which is a pillar for ET) is no longer a

prequalification in the procurement strategy (FGD, 09/04/2019). Furthermore, procedural challenges to using procurement for ET by TPT were identified to include:

No buy in from the end users as transformation is seen as procurement issue instead of the entire organisation, and the process might take time as market analysis must be done to assess opportunities for transformation (FGD, 09/04/2019).

Do TPT management pose a challenge to using procurement for ET, and how? The responses to this question were both “No” and “Yes.” For example, a respondent gave a “no” answer to the question. Accordingly “The respondent firm did not experience such a challenge. TPT Management made the decision which led to a major opportunity for the firm.” However the respondent found fault the discontinuation of a process by TPT:

A possible question was why TPT’s approach for securing the service required (i.e. by outsourcing it to an SMME) was abandoned afterwards, as the project was successfully implemented and the administrative and monitoring hurdles had been resolved. Full reports on how the project was conducted were also in the hands of TPT. Even if the respondent firm was not re-appointed for the task, the opportunity to implement similar programmes could have been offered to other emerging providers. (Executive Director: Jupilog Consulting, Interview, 022/05/2019).

A focus group discussant bemoaned the tendency of TPT management not to give serious attention to issues that they consider unrelated to their portfolios:

Completely neglecting any other aspect which is often dismissed as not being area of focus or concern. This stance and narrow minded approach of focusing only on one’s own department is in most cases also upheld and supported by their seniors (FGD, 09/04/2019).

Another focus group discussant suggested that:

The reason some pose challenge to transformation is because they are thinking of quality and delays, because they thinking that the process might take long and might not get the right quality at the right price, their focus is more on keeping the business operating, transformation comes last and always think it can be done on the next

project and when the next project comes timelines are shortened because of poor planning (FGD, 09/04/2019).

#### **4.5 HOW CAN TPT PROCUREMENT PROMOTE RADICAL ECONOMIC TRANSFORMATION?**

This section presents findings on how TPT procurement can promote RET. In responding to this question, some respondents indicated lack of faith in the current policies and legislation to RET. However, other respondents made suggestions as to how TPT procurement can become more amenable to RET. For instance, when asked to state “how can TPT promote RET using its procurement processes?” a participant in focus group discussion noted that:

An entity such as TPT cannot purely pursue Radical Economic Transformation as it primarily exists as a political concept that has not been translated into policy document or linked to legislation. The concept still need to be further unpacked and properly integrated into existing policies (FGD, 09/04/2019).

Re-echoing the same sentiment, the Senior Manager: Governance, TPT asserted that “With the current legislation it is almost impossible. Perhaps TPT needs to lobby the powers that be; for example, National Treasury” (Interview, 08/04/2019). However, other respondents believed that TPT can play a role in pursuit of RET within the current policy and legislative frameworks. For example, a respondent suggested that one of the ways in which TPT can do this is to:

Clearly communicate medium to long term plans, deliberate efforts and investments in SMEs that can be ready and competitive to be able to take advantage of the opportunities. TPT should also monitor the ESD (subcontracting) more vigorously and enforce consequences for non-compliance (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

Another respondent suggested that TPT can promote RET if it can:

Firstly allocate small projects to emerging enterprises without going through the tender process and this should be open to public. Thereafter rate the SMMEs on performance and move them up the ladder (Managing Director: Bosch Ulwazi, Interview, 23/03/2019),

Two other respondents recommended that TPT promote RET primarily “By having set asides for Black African SMMEs and supporting them to secure and execute work” (ED Manager: DCCI, Interview, 07/03/2019), and “By setting aside various commodities for emerging suppliers, supporting them without fear of being accused of favouritism” (Acting CPO: TPT, Interview, 02/04/2019).

Other elements suggested by a respondent that TPT can adopt to promote RET include:

Returning to a holistic support approach for developing new suppliers including providing capital and operational finance, skills development, mentoring and progress-monitoring activities in ESD budgets (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

This respondent further advised that:

The option of partnerships with large suppliers and other corporates to form a collective ESD budget for emerging suppliers may also be explored. Establishing co-operation platforms of government stakeholders and support organisations to assist SMMEs to increase their local content contributions (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Furthermore, it was suggested that TPT can promote RET by:

Establishing a standing arrangement with banks and/ or development financiers to ensure that small or emerging black-owned firms will be able to finance a portion of large-scale opportunities awarded to them. While a Black Industrialists Scheme and NEF financing do exist, they may not be readily available to meet the timing requirements of all parties (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

When asked “How can the pace of ET be made faster and radical?” a focus group discussant suggested that:

The Department of Trade and Industry (DTI) and National Treasury can go through an exercise of extensively reviewing some of its existing economic Transformative

policies with an aim of seeing which ones have yielded the most positive results using certain economic measures and algorithms (FGD, 09/04/2019).

As this discussant noted:

This will enable the Departments to strategically focus their efforts and resource on accelerating and improving policies and programmes that have shown the best results as well the ability to reconfigure those that aren't yielding the desired results (FGD, 09/04/2019).

In which case:

Monitoring and evaluation systems are to be put into place to monitor progress and evaluate impact. Also, consequences for non-performance in this area are to be effected, otherwise those that do not have the willpower will continue with their anti-transformation agenda and not be penalised for that (ED Manager: DCCI, Interview, 07/03/2019).

Similarly, for ET pace to radicalized “Resources, both personnel and financial have to be put aside for anything to be effective” (ED Manager: DCCI, Interview, 07/03/2019). Furthermore, there should be “Set quantum. For example, all tenders or work to a certain value should go the majority black owned businesses or joint ventures” (Managing Director: Bosch Ulwazi, Interview, 23/03/2019), and there should be an encouragement of “Unbundling of contracts, targeted recruitment and training as well as more collaboration among stakeholders (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

To the question “Should TPT limit its ET agenda to only business-related industry? Why?” some respondents responded in the affirmative while others said no. For example, the Acting CPO of TPT was of the view that TPT should not limit its ET agenda to business-related industry. According to the Acting CPO “TPT is already engaging suppliers in developing communities on SD programmes (Acting CPO: TPT, Interview, 02/04/2019). Similarly, another respondent stated that ET agenda should “Not necessarily” be limited to business-related industry only, rather “this should also include the workforce through employment equity measures and other social enterprises” (ED Manager: DCCI, Interview, 07/03/2019), while another opines that “I would also look at programmes for pupils and tertiary education

students, to adjust their mind-sets before they move into the working category” (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

On the other hand, some respondent affirm that TPT should limit its ET agenda to business-related industry only. As the Managing Director of a contractor entity cautioned “We have to remember that TPT clients are spread across all race groups and nationalities and therefore other initiatives of TPT should be all inclusive. TPT still must make profit and survive” (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). In the same vein, another respondent is of the view that “Aside from other initiatives such as sponsorship of Shanduka and rural projects as part of Corporate Social Investment, a limit of initiatives to those firms serving the operations of TPT is suggested” (Executive Director: Jupilog Consulting, Interview, 02/05/2019). The reason proffered by this respondent for his suggestion was that:

The effectiveness of TPT is vital to movement of cargo into, within and out of South Africa. Transformation activities and related investments should therefore be committed to enhancing operations within the organisation’s core business (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

When asked “How should ET programme be executed in order to reach PDIs and rural communities?” one of the respondents noted that “rural communities suffer from double exclusion since they are marginalised based on their race and also suffer economic exclusion by virtue of their location” (ED Manager: DCCI, Interview, 07/03/2019). Similarly, “People living with disabilities are very often overlooked when it comes to business opportunities” (FGD, 09/04/2019). If we are serious about bridging the gap between the haves and the have nots, they ought to be brought to the forefront. For example, one way of doing this is that:

TPT needs to strategically focus on working closely with organisations advocating for the right and empowerment of people living with disabilities through various ED programmes to ensure these groups of people are made aware and adequately prepared for opportunities targeting by QSE’s and EME’s (FGD, 09/04/2019).

TPT can also achieve this goal “Through prioritising State Resources as a seed pipeline to Small Business Development as well as community involvement” (ESD Manager, TPT, Interview, 08/03/2019) as well as “Through collaborations with entities that already have a footprint in those areas and already working with those communities” (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

Same view was expressed by another respondent who also stated that:

Rural communities can best be reached through partnerships. Programmes already exist for these areas under Seda (Small Enterprise Development Agency), provincial departments and agencies dealing with rural or economic development, Sectoral Education and Training Authorities (SETAs) and Non-Governmental Organisations and Institutions. Sponsoring these or contributing to overall project budgets will strengthen their initiatives (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Again, targeted programmes for rural areas and PDIs is believed to possess the capacity to broaden the reach of TPT's ET programme. According to a respondent:

Programmes can be targeted at selected groups of suppliers. Once the needs of each are thoroughly known, implementers can schedule common and customised support measures for them. Running several such programmes concurrently can broaden the footprint of ESD support. It is suggested that TPT should have clear developmental goals for any interventions, including those targeted at rural areas (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

When asked their opinions on whether "TPT's procurement processes are adequate to support RET?" the respondents followed the same pattern of positive or negative or sometimes non-committal responses. For example, the Acting CPO of TPT denied that the procurement processes are adequate to support RET "because there are still complaints that TPT is supporting Indian businesses which means we need to do things differently" (Interview, 02/04/2019). Similarly, the Regional Manager of Black Umbrellas in response to the question said:

No, the process of being able to do work with TPT needs to be relooked as it is a challenge for emerging businesses and also to communicate plans and intentions in order for SMEs to be better prepared (Interview, 29/04/2019).

On the other hand, a respondent was positive that TPT's procurement processes were capable of supporting RET.

Yes, within the Broadening Participation aspect of transformation. The measures have already been supportive of emerging suppliers, as discussed. If not in

existence, the development of a monitoring tool is needed to measure the success of these efforts (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

A focus group discussant agreed that the policies and procedures within which TPT procurement operates currently limits its ability to support RET. However, the discussant pointed out that it is premature to tell whether TPT's procurement has the capacity to support RET because the status of RET discourse remains political rhetoric and not yet a policy: Accordingly "TPT procurement operates under the guidance of certain policies and procedures that limit the ability to implement radical economic transformation as it is not an economic policy" (FGD, 09/04/2019).

On whether "TPT as a business at large is in support of the RET agenda, and in what ways have they shown this support?" the responses also betrayed the perception and understanding each respondent had of RET. While a focus group discussant clearly pointed out "I have not seen evidence of radical economic transformation being advocated or implemented by TPT, primarily due to fact that it is not an official policy" (FGD, 09/04/2019), some respondents were of the view that "Yes it is supporting it, by engaging different forums and workshopping firstly about Transnet processes" (Acting CPO: TPT, Interview, 02/04/2019), and that:

TPT has ensured where possible its clients and suppliers are BEE compliant and have even gone a bit further and brought in Black majority ownership as a criteria for acquiring work (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

Similarly, another respondent asserted that "Yes," TPT as a business supports RET "within the broadening participation aspect of transformation". The ways in which they have shown this support included "Supplier Development Programmes and related sponsorships, Preferential Procurement, inclusion of Supplier Development targets in tender conditions for contracts" (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

To the question "What would you propose can be done differently to promote RET in TPT?" the responses exhibited calls for caution, collaboration and formalization of RET as a policy. For example, a respondent cautioned that:

We need to be careful for TPT has to make profit and survive and therefore a structured approach is always needed, for you don't want to make changes that are radical and it will increase TPT's operational costs. The facilitators that contribute to

the RET need to be the ones who believe in the process and will want the best results (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

Another respondent urged:

Communication, collaboration, deliberate and targeted projects, monitoring of SME facing employees, stricter terms for established businesses that do business with TPT, action and consequences to all wrong doing – employees and main contractors (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

However, a focus group discussant insisted that:

There isn't much that can be done until the concept of Radical economic transformation is properly defined and integrated into existing policies or introduced a stand-alone policy (FGD, 09/04/2019).

#### **4.6 IN WHAT WAYS CAN TPT'S ESD PROGRAMME CONTRIBUTE TO RADICAL ECONOMIC TRANSFORMATION?**

This section reports findings on the use of ESD as a tool to drive RET. Currently, ESD is the major programme of TPT in respect of B-BBEE and ET generally. The intended goals for ESD as is with other ET programmes were noble. It can become a veritable instrument for RET. However, ESD in its current form and execution has been bedevilled by the challenges that faced other ET policies as discussed in the literature review. The responses in this section indicate not only challenges that hindered ESD from unleashing its full potentials for ET but also faith in the capacity of TPT to use its ESD to contribute to RET if properly articulated and implemented. While answering this question, a respondent noted that "With the current legislation it is almost impossible. Perhaps TPT needs to lobby the powers that be, for example, National Treasury. It is even worse as the SD is no longer a prequalification" (Senior Manager Governance: TPT, Interview, 08/04/2019). Similarly, a focus group discussant noted that "There is fairly limited initiatives that can be pursued in the way of radical economic transformation as it may be outside of the prescribed ESD initiatives (FGD, 09/04/2019).

Nevertheless, many respondents believed that ESD can contribute to RET if correctly implemented. For example, the ED Manager at DCCI argued that:

ESD used correctly for the intention it was established for is the right tool for radical economic transformation. The main problem is that where it is applied, it tends to benefit the same group and lacks the broad based aspect. Those that have benefitted before end up benefitting time and again and hence limiting the wider impact it is supposed to have (Interview, 07/03/2019).

This respondent further argued that:

While the 30% sub-contracting could have some results, when South African is truly serious about economic transformation and apply it radically, it should be the other way around wherein 70% is for transformation while the 30% is for big contractors to mentor the smaller ones (ED Manager: DCCI, Interview, 07/03/2019).

When asked “How can ESD be used to pursue RET?” a focus group discussant replied that “It can be used in skills transfer, community development and uplifting of the people surroundings in which they operate (Supplier Development YPT: TPT, FGD, 09/04/2019). A respondent also noted that this can be done by “Investing in the development and training of SME to become sustainable and competitive businesses” (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

The ESD Manager at TPT agreed that RET can be pursued with the instrument of ESD:

Through targeted procurement and also ensuring the proper gap analysis are conducted and suppliers are assisted to get to the readiness state in order to bid with the non-compliant suppliers that have always been in the market (Interview, 08/03/2019).

Another respondent concurred that this can be achieved:

By creating opportunities and developing suppliers through ESD programmes to deliver to a standard acceptable to general and international markets. This will increase suppliers’ ability to access opportunities and to enter established value chains (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

The ripple effects of this creation of opportunities will lead to:

Greater standing within value chains will in turn create more opportunities and enable some black-owned firms to invest in their further expansion and growth. This will

over time allow some to become major participants in their sectors. In addition, a core of black operational and senior managers will be created through these processes that will become attractive candidates for management positions within existing large firms (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

However, it was pointed out that necessary training in skills, and preparation of the beneficiaries must be undertaken in order for ESD to yield envisaged results. As a respondent advised:

The ESD program beneficiaries must undergo a selection process and should be developed to meet TPT's vendor criteria and therefore improve the possibilities to acquire work. The beneficiaries on the program should be under mentorship for a longer period to ensure sustainability (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

When asked if "TPT has the right ESD vehicles to deliver on RET?" a focus group discussant gave an emphatic "Yes" answer (FGD, 09/04/2019). Furthermore, a respondent stated that TPT had the right ESD vehicles to deliver although "I only know of my project, I do not know what other projects they are involved in (Regional Manager: Black Umbrellas, Interview, 29/04/2019). Similarly, another respondent also spoke in respect of their company and not for every business:

With Bosch Ulwazi they did but I do not know much about all the different providers or programs. The program with Bosch Ulwazi focussed on development in the engineering space and to date majority of the beneficiaries have progressed well and are running sustainability businesses. (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

While another respondent said "Yes" to the question, but noted that "improvements are possible" (Executive Director: Jupilog Consulting, Interview, 02/05/2019), the Acting CPO of TPT was of the view that there would be need to do benchmarking or further research (Interview, 02/04/2019).

How are beneficiaries of TPT ESD programme doing in business and how are they contributing to ET? This question was posed to test the effectiveness of TPT ESD programme and how useful it can be in the pursuit of RET in the future. In response to this question, a

participant in focus group discussion stated that “ESD programme beneficiaries are doing very well business wise and they have contributed a lot in skills transfer, job opportunities and funding new businesses” (FGD, 09/04/2019). Concurring with this position, a respondent asserted that “The greater percentage of the firms we remain in contact with continue to operate and some have scaled up their activities” (Executive Director: Jupilog Consulting, Interview, 02/05/2019). Similarly, another respondent stated that:

Of the 20 companies we developed for TPT, 13 are operating successful businesses and the rest are managing and staying above the breadline. They have all contributed to the economy by improving and creating employment (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

Another respondent confirmed that “They are creating employment for their communities and improving theirs and their employees’ quality of life” (Regional Manager: Black Umbrellas, Interview, 29/04/2019). However, a focus group discussant noted that the situation is not all flowery and positive. This discussant pointed out that:

There are relatively few stories in which beneficiaries have benefited to the extent that, there is long term sustainable business due to being a beneficiary. That is an area where more can be done to ensure prolonged business sustainability beyond the benefit period (FGD, 09/04/2019).

Policy and procedural gaps are common features of any programme. Previous ET programmes embarked upon by the government of South Africa suffered as a result of gaps. When asked to identify “what are the gaps in ESD that affect the implementation of RET” the respondents’ answers indicated a number of issues. Primarily, gaps exist due to “Lack of cohesion between ESD and Procurement” (Regional Manager: Black Umbrellas, Interview, 29/04/2019). For example, “The removal of SD as a Prequalification has created the gap within the Supplier Development” (Enterprise and Supplier Development Manager: TPT, Interview, 08/03/2019). Similarly, the Managing Director of Bosch Ulwazi implied that generic development which does not fit all types of SMMEs creates gaps. Thus, development should be industry specific (Interview, 23/03/2019).

Furthermore, the following gaps were also indicated:

Lack of a structured approach to ESD, lack of measures for support in key areas, such as access to finance (capital and operational) in appropriate cases, skills development

support, product development, mentoring and monitoring, lack of integration and co-operation between government departments, support agencies and organisations, including ESD custodians in the SOEs, and the services of all (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Other gaps identified included:

Limited leveraging of procuring entities' own standing and linkages with their large suppliers to assist promising emerging suppliers, for example, through introductions of high-potential new suppliers and endorsement of their capabilities through support to networking events (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

When asked whether “the economic development policies guiding ESD are effective enough to implement ESD in TPT?” the responses reflected a balance of positive, negative and non-committal persuasions. For example, the Managing Director of Bosch Ulwazi was “Not sure” whether the policies were effective enough, but emphasized that:

The work has to be done at the best possible price and efficiently, so that TPT can run a successful business. This will enable TPT to invest more in the developmental processes, so all the policies and processes have to be handled and incorporated into the process for the best possible result (Managing Director: Bosch Ulwazi, Interview, 23/03/2019).

Certainty of view was expressed in respect of this question, although a negative one. The Acting CPO of TPT stated that “They are not very effective; they need to be clarified and even processes mapped at a Group level on how to implement (Interview, 02/04/2019). On the other hand, it was posited that “Policies are great, however implementation needs more resources in order to be seamless and successful. Access to market needs to be improved” (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

Another respondent corroborated this perspective by saying that while the policies may be:

fair for the large black-owned companies, the 80/20; 90/10 requirement is problematic from the point of view of the less developed businesses. The higher-price advantage allowed by this measure is often not sufficient for the small firms to overcome the

bargaining power of well-established competitors (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

This respondent further pointed out that:

Small suppliers usually have to purchase from the same large suppliers and then add their mark-up on top of the competitor's mark-up. The limited number of opportunities they receive and need to cover trade finance costs further causes them to set their prices high relative to competitors (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

However, this respondent conceded that economic development policies guiding ESD are effective enough to implement ESD in TPT. According to this respondent valuable recent adjustments included the alignment of Preferential Procurement to B-BBEE and supplier development encouraged through the ESD element since 2015 (Executive Director: Jupilog Consulting, Interview, 02/05/2019). According to this respondent, "this is an improvement from the point of view of encouraging Value Chain participation" as "there is a blanket minimum local content requirement in contracts above a set value. This creates a means by which opportunities can be enforced for more meaningful participation by small enterprises" (Executive Director: Jupilog Consulting, Interview, 02/05/2019). Similarly, "procuring entities can set levels of local content for particular projects. This has the same potential benefit as the previous amendment" (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

#### **4.7 SUMMARY**

This chapter presented the findings that emerged from this study. It fairly and adequately presented the views and responses of those that participated in the study. Findings in respect of the levels of knowledge of radical economic transformation (RET) among TPT procurement staff as well as other stakeholders were presented in this chapter. It also presented findings on whether TPT has been successful in using procurement for economic transformation (ET), the challenges faced by TPT in using procurement for ET and on how TPT can use procurement to promote RET. Lastly, it presented findings on ways TPT can contribute to RET through its enterprise and supplier development (ESD).

Respondents showed various levels of knowledge or understanding of the concept of radical economic transformation. On the question of whether TPT has successfully used its procurement processes to promote economic transformation, answers from respondents were both positive and negative. Challenges that confronted TPT in its implementation of ET policies were also identified. Suggestions were made as to how TPT procurement can become more amenable to RET. ESD which is a critical aspect of empowerment can become a veritable instrument for RET. However, ESD in its current form and execution has been bedevilled by the challenges that faced previous ET policies. Nevertheless, ESD can contribute to RET if correctly implemented. The discussion and analysis of the findings from this study is presented in chapter five.

## **CHAPTER FIVE: DISCUSSION OF RESEARCH FINDINGS**

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### **5.1 INTRODUCCION**

This chapter presents a discussion of the findings of this study. This study is grounded on three inter-related theories of “Targeted Procurement,” “Governance” and “Enforced Cooperation.” Discussion of the findings of this study draws upon these theories. Targeted procurement has been in use in South Africa with the emergence of ET policies since democratic regime in 1994. However governance challenges frustrated the realization of the full potentials and intended goals of the policies. This has led to a situation of enforced cooperation where the state is being compelled to use its powers to enforce a regime of radical economic transformation.

This discussion is divided into five sections. Section 5.2 discusses findings on the level of knowledge of RET among procurement staff of TPT and among other stakeholders. Section 5.3 will discuss the role of TPT procurement in promoting ET. Section 5.4 dwells on challenges hindering the successful use of Procurement to promote ET by TPT. Section 5.5 reverts back to RET by discussing findings on how TPT’s procurement can promote RET. How TPT’s ESD programme can contribute to RET is discussed in section 5.6.

### **5.2 LEVEL OF KNOWLEDGE OF THE CONCEPT OF RADICAL ECONOMIC TRANSFORMATION AMONG TRANSNET PORT TERMINALS PROCUREMENT STAFF AND STAKEHOLDERS**

A knowledge and understanding of the defining concepts and intended goals of RET is very critical to a successful implementation of the agenda. Thus this knowledge and understanding among the procurement staff of TPT and its stakeholders are of great importance to a successful use of procurement in pursuit of RET. The findings from this study show that respondents exhibited some reasonably high levels of knowledge and understanding of the concept. However, knowledge and understanding of the concept of radical economic transformation among the respondents varied. The variation in knowledge or understanding of the concept seems to depend on the sector the respondent belongs: public, that is, TPT procurement staff, or private, that is, other stakeholders such as contractor entities and beneficiary entities (see fieldwork schedule, 3.7.5 on pages 52 and 53). It also seemed to depend on the level of the office they occupy whether senior or junior management.

To a large extent the concept of Radical economic transformation is understood to have primarily been used in the political arena as a political rhetoric with very little translation into official government economic policy (FGD, 09/04/2019). This agrees with Jankielsohn & Duvenhage (2017) who posited that economic transformation in South Africa has been more of political rhetoric; and Balkaran (2017) who observed that the Radical Economic Transformation (RET) economic paradigm which South Africa's government seeks to pursue falls outside mainstream economics. However, although still not an enforceable policy or legislation, the concept of RET and its intension is well understood. Radical Economic Transformation is mainly "described as a fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all citizens, especially the poor, the majority of whom are African and women" (FGD, 09/04/2019). RET is described as the "Rapid, deliberate inclusion of previously disadvantaged people to the mainstream economy" (Enterprise and Supplier Development Manager: Black umbrellas, Interview, 02/03/2019).

The intention and scope of RET also came to the fore during the discussion. Thus, RET is correctly seen as the acceleration of the speed of economic transformation, the "Rapid and deliberate inclusion of previously disadvantaged people to the mainstream economy" (Regional Manager, Black Umbrellas, Interview, 29/04/2019). It is also described as "An initiative driven by government to significantly increase the level of black ownership and control in the National Economy" (Executive Director, Jupilog Consulting, Interview, 02/05/2019). Another perspective to the intention of RET is that of reduction in inequality and creation of a non-racial South Africa.

Respondents also exhibited varied understanding of what is the content of Radical Economic Transformation (RET). While some respondents appeared to have a good grasp of the content of RET others were more general and broad in their answers. For example, that the debates around radical economic transformation have primarily been on the issues of land ownership, equitable distribution and access to economic transformative tools and resources, concept of Monopoly Capital, the transfer of economic power and control from the clutches of minority groups (FGD, 09/04/2019). This agrees with Balkaran (2017:111) who described Radical Economic Transformation as primarily about "fundamentally changing the structure of South Africa's economy from an exploitative exporter of raw materials, to one which is based on

beneficiation and manufacturing, in which our people's full potential can be realized.” Respondent also noted the use of public procurement to bring about parity of all races in the Republic of South Africa (Senior Manager: Governance, TPT, Interview, 08/04/2019).

As to what the government intends to achieve through RET the responses varied from party politics exigencies to socio-economic imperatives such as robust redistribution of wealth, massive impacting of poverty and inequality through job creation, and the closure of the gap on previously disadvantaged groups faster than the normal. However, as to how the government is pursuing radical economic transformation, findings indicated a graphic progression from strong denial that government has done anything in pursuit of this agenda to some concession that there are some form of activities on the part of government in pursuit of RET.

The denials stemmed from the fact that RET is yet a government policy (Senior Manager Governance: TPT, Interview, 08/04/2019) apart from it being a theme or buzz word used in the political arena (FGD, 09/04/2019). However, on the other end of the spectrum of opinions, the findings indicate some positive actions on the part of government in pursuit of RET. These include the strict adherence to the goals of the BEE codes of practise (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). Other actions of government include “Heightened Preferential Procurement requirements in legislation, increased industrial participation and local content requirements for large capital projects, measures to promote and support the emergence of new black industrialists, and alteration of legislation to facilitate expropriation of productive assets” (Executive Director: Jupilog Consulting, Interview, 02/05/2019). This intended goal of the government is encapsulated in and agrees with the tenets of the theory of Targeted Procurement.

According to Watermeyer (2000), Targeted Procurement as an instrument of poverty alleviation and job creation has been used in South Africa mainly to target those groups of the society that were disadvantaged under the apartheid system. It has also been used to support local economic development, to promote growth within the small business sector and to target the unemployed (Icheku, 2015) through programmes of poverty alleviation. This concept lucidly captures the idea behind the current clamour for a radical economic transformation in South Africa. However, it should be noted that these efforts of the government referred to are either related to current ET regime or they are yet to be

implemented, such as expropriation of productive assets. Thus findings come down to the fact that government has not started implementing RET.

Findings also indicate knowledge and understanding of the difference between ET and RET. There was a convergence of views that the difference was not much but the depth, speed and accessibility of RET is the difference. Findings show the understanding that Radical economic transformation is an initiative aimed at drastically increasing the pace at which economic transformation is taking place (FGD, 09/04/2019). Thus, it is understood that RET should be larger in scope, faster, quicker and more accelerated approach as opposed to normal ET. RET became necessary because the existing situation calls for radical means of levelling the playing ground as the B-BBEE legislation which was initiated to address inequalities in South Africa has benefitted the few and in fact lacks teeth to bite.

### **5.3 ROLE OF TPT's PROCUREMENT IN PROMOTING ECONOMIC TRANSFORMATION**

Transnet SOC, and all its operating divisions including TPT, have embraced and endorsed its commitment to abiding by and fully supporting the majority, if not all of South Africa's national economic development policies, especially those established by the Department of Trade and Industry (DTI) and well as the Department of Public Enterprise (DPE). These national policies are often strategically crafted to significantly contribute towards the achievement of economic growth and increasing GDP, thereby addressing some of the socio economic imbalance of the oppressive apartheid past that continue to plague South Africa, such as the relatively low literacy and education levels including critical skills, among the South African adult population, high levels of unemployment and poverty, particularly among previously disadvantaged and marginalised race groups in South African, which significantly contributed to the alarmingly large number of South African living in poverty and are seriously restricted in terms of equal access to opportunities and chances of equitable wealth distribution (FGD, 09/04/2019).

Transnet Port Terminals (TPT) is one of the operating divisions of Transnet SOC Limited and as an SOE, TPT plays a strategic role in realizing the goals of radical economic transformation through its procurement processes.

Procurement in Transnet can be used to transform South Africa's domestic supply base. Thus Transnet engages in target supplier development programmes in order to support industrialisation and localization with the aim of providing meaningful participatory opportunities for black South Africans especially youth, black women, PWDs, and small businesses (Shezi, 2016). In 2016 TPT achieved a level 2 B-BBEE status with a score of 87.03 marginally missing level 1. With R37,2 billion to spend from 2015 to 2021, TPT can contribute further to the achievement of the goals of radical economic transformation through targeted procurement. Targeted procurement "enables social objectives to be linked to procurement in a fair, transparent, equitable, competitive and cost effective manner ... also permits these social objectives to be quantified, measured, verified, and audited" (Watermeyer, 2000:7).

On whether TPT has successfully used its procurement processes to promote economic transformation, findings from this study indicate both positive and negative perspectives. Findings indicate some failings in the contribution of TPT to ET due to resistance from the internal stakeholders. TPT is currently ensuring that all tenders that are issued to the market and are above R30m include 30% subcontracting. The intentions of ET are being defeated in cases where valid contractual agreements between primary contractors and subcontractors are circumvented as the contractors intending not to empower the subcontractors with the necessary skills opted to pay the subcontractors money having not done any work. With regards to localisation TPT has not done enough as there are still many commodities that needs to be broken down and local contents be identified and proposed for localization (Senior Sourcing Manager: TPT, Interview, 29/03/2019).

However, on a positive note, findings show that to a certain extent TPT has been successful by vigorously developing emerging black owned enterprises to become bigger suppliers to Transnet, thereby improving the transformation process (Managing Director: Bosch Ulwazi, Interview, 23/03/2019) thus, contributing to the implementation of ET by introducing Supplier development programme as it policy and obligation. In this way, it contributes to increasing the competitive capacity of the supply base of South Africa (FGD, 09/04/2019). Findings also indicate opportunities for capacity building as TPT subscribes to the PPPFMA and there is great opportunity to build local capacity through the 30% sub-contracting clause in their big tenders and also smaller initiates focussing on the youth and the disabled (ED Manager: DCCI, Interview, 07/03/2019).

Findings also indicate that some benefits have accrued to the implementation of ET policies. For example, TPT appears to be highly successful in the economic inclusion aspect of transformation, which is to bring more people to participate in the economy at the technical and professional level and in firms offering decent jobs (Executive Director: Jupilog Consulting, Interview, 02/05/2019). This aligns with Watermeyer (2000:7) who asserted that “Targeted Procurement, through a variety of techniques, provides opportunities for participation by targeted enterprises, even to those who may not have all the necessary resources, capacity or expertise to perform contracts in their own right.” Thus awards contracts are usually done on basis of balance between advantageous tender pricing and the deliverables in respect of target groups.

Findings also indicate particular instances where TPT has contributed to ET, for example, through SMME development or localization. Available records show verifiable data relating to TPT suppliers/Contractors, whom have in the execution of contracts awarded to them, committed to the Competitive Supplier Development programme (CSDP), skills development, new job creation and preservation, technology transfer, small business development and promotion as well as rural development and integration. This resulted in Millions of Rand being allocated to key initiatives that have a significant multiplier effect in the local economy in addition to building local capacity and capability (FGD, 09/04/2019).

Furthermore, through its SD TPT has made networks with local business chambers, collaborating with National Empowerment Fund, with a view to assist the SMMEs with financial support as well as the necessary training for the SMMEs to thrive (Senior Manager Governance: TPT, Interview, 08/04/2019). Similarly, there were instances where TPT contributed to ET through a two year Sponsorship for 15 SMEs in the Black Umbrellas incubation programme and through exhibition sponsorships which promotes networking and access to markets (Regional Manager: Black Umbrellas, Interview, 29/04/2019). This is in consonance with the ideal that and business linkages between big and small enterprises can be promoted through targeted procurement (Watermeyer, 2000).

Findings also show specific tools or instruments TPT uses in pursuing ET. Specific tools used by TPT in its ET programme included ESD which ensures emerging suppliers are developed, sub-contracting, preferential procurement, the New Growth Path (NGP) and local content

requirements. Aside from providing vital equipment to bring small firms into operation, TPT also offers regular work to the firms (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

However, findings indicate that more can be done in terms of access to market and procurement opportunities (Regional Manager: Black Umbrellas, Interview, 29/04/2019) as the main problem with ET programme is that economic opportunities have unfortunately benefitted a select few (ED Manager: DCCI, Interview, 07/03/201). At the level of changing major owners and decision-makers in the private sector, it is difficult to tell whether any changes have been brought about by policies or strategies of TPT (Executive Director: Jupilog Consulting, Interview, 02/05/2019). This can be attributed to the idea that in Targeted Procurement, “contractors can be given the flexibility to decide exactly how the targeted groups will be used, rather than the government deciding itself the way in which those groups should be involved” (Watermeyer, 2000:7).

#### **5.4 CHALLENGES HINDERING THE SUCCESSFUL USE OF PROCUREMENT FOR ECONOMIC TRANSFORMATION BY TPT**

Radical Economic Transformation became necessary due to the failures of previous economic transformation interventions (Jankielsohn & Duvenhage, 2017; Khambule & Mtapuri, 2018; Mofokeng, Giampiccoli, & Jugmohan, 2018). For example, the implementation of BEE policy in a market-oriented mixed economy such as South Africa’s, with its fair share of markets failure as well as government failure, is fraught with a lot of challenges. Some of these challenges can be institutional and others personal (Leonard & Grobler, 2002). Competition with established and well-resourced and skilled white owned businesses posed a challenge to the implementation of BEE policy in some sectors (Ponte, Roberts, & Van Sittert, 2007). For example, transformation in the maritime industry has been difficult to implement because it is dominated by predominantly white family businesses which are yet open to transformation. This situation directly links to governance challenges. Targeted Procurement is executed within a defined governance framework. An effective governance framework is inevitably necessary for successful ET as contracting-out or outsourcing, and “public-private partnerships are now part of the reality of public services and decision-making in many countries” (Stoker, 1998:21).

Initially, empowerment policies in South Africa primarily emphasized the transfer of equity. Unfortunately, this approach benefited only a few of politically connected people without such benefits filtering down to majority of the broader mass of disenfranchised people who were intended to benefit from the process (Mofokeng et al., 2018). The failure of the previous economic empowerment and transformation regimes to achieve the envisaged goals led the government of South Africa to seek a radical process or implementation of economic transformation. This section discusses the challenges that TPT faces in using its procurement to pursue ET agenda.

Findings of this study bring to the fore the challenges that confront TPT in using its procurement process to contribute to the implementation of ET policies. It is clear that the economic playing ground is not level and thus ET policies need to be revised with special focus on Blacks, Youth, Black women, and people living with disabilities (PWDs) (Senior Manager Governance: TPT, Interview, 08/04/2019). Findings show that the PPPFA is not fully applied, procurement plans are not done in time to allow for assessment of commodities to be used for transformation, tendering templates are complicated for small commodities, adverts cannot reach the entire population, and there is apparent lack of will power of the employees to transform instead of just doing it as part of the checklist (FGD, 09/04/2019).

Findings also indicate that policy and legislation pose some challenges to TPT's use of procurement for ET. For example, legislation, National Treasury's instructions, and Transnet Group directives such as removal of SD as a Prequalification as some of the challenges facing the organization's use of procurement to pursue ET (Acting CPO: TPT, Interview, 02/04/2019). Tender process is regulated and therefore the organization that submits the best tender will acquire the work and the bigger projects will be difficult for SMMEs to acquire (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). It was found that using procurement and the tendering processes were a challenge for the purposes of ET because the commodities that are bought by TPT are very specialised in nature, which makes it hard for TPT to implement the PPPFA Regulations when a tender is issued. TPT does not have the necessary tools to conduct proper market analysis on the commodities that it buys, and it is important to understand the industry in terms of the suppliers within South Africa, the capacity to deliver, and what can be manufactured in South Africa so that subcontracting,

local content can be set within tenders. This finding aligns with (Hills, 2015) that lack of relevant skills hampered compliance with transformation agenda.

Thus the implementation of ET programme by TPT gets enmeshed in a situation referred to by Stoker (1998:22) as “power dependence” where institutions involved in collective actions are dependent on others. Thus within a governance relationship, although an organization may dominate a particular process of exchange, no single organization can easily command the entire process. For example, “national-level government or another institution may seek to impose control, but tension will persist between the wish for authoritative action and dependence on the compliance and action of others” (Stoker, 1998:23). The situation doesn’t allow TPT to set aside certain commodities to be given to previously disadvantage suppliers to compete amongst themselves instead of being forced to compete with large and established enterprises for the supply of small commodities that they could easily do (FGD, 09/04/2019).

Another finding of the study is that the achievement of economic transformation is being restricted by the lack of buy-in from critical internal stakeholders within cross functional sourcing teams. These stakeholders who take part in most of the procurement project seem to lack the necessary appreciation and understanding regarding the importance of the inclusion of strategic recommendation that seek to improve and contribute to Economic Transformation (FGD, 09/04/2019).

Findings also indicate that another challenge is the usual excuses by established businesses that SMMEs lack the capacity to provide “the services that TPT needs” (Regional Manager: Black Umbrellas, Interview, 29/04/2019). According to Mofokeng et al (2018), big established businesses often exclude small black-owned businesses by arguing that they can’t find these SMMEs. Where they are found, they do not possess the capacity to meet their supply specifications, SMMEs are risky and cannot be relied upon as suppliers, and they lack requisite financial capacity. Big firms also see their roles as that procuring for their clients, which does not extend to developing suppliers, since they derive little benefit from procuring from SMMEs.

However, findings indicate that there are grounds to exonerated suppliers from blames as most suppliers encounter difficulties when they register on TPT/Transnet supplier database. Furthermore, there is minimal knowledge and lack of information of how the procurement system functions, the role of buyers, and lack of clarity of ED/SD requirements in respect of opportunities for local suppliers to meet TPT requirements (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

This study's findings also show that TPT procurement department staff did not necessarily or intentionally frustrate ET. The procurement department and its employees are the custodians and subject matter experts of the procurement process. They are mandated to execute and manage entire procurement process from beginning to end, often working very closely with the end users (department or Terminal representatives) to ensure that the require product or service are acquired in a manner that is in line with legislation as well as company policy and procedures, that is, PPPFA, 2000 (Act No. 5 of 2000) as well as Transnet Procurement Procedure Manual 2015.

Although, it was noted that all state owned companies have a mandate to ensure that they contribute to the transformation of the economy through their procurement spend. However, ET is being talked about but not enforced as it should. Using procurement for ET has remained fairly reactive and uncoordinated (FGD, 09/04/2019) while “corruption, business as usual and lack of urgency” are frustration factors (Regional Manager: Black Umbrellas, Interview, 29/04/2019). This agrees with evidence from studies that shows that businesses of PDIs are disadvantaged as contracts are “open to competitive tenders from the open market dominated by nepotism and administrative discretion in the allocation of particularly public procurement contracts” (Balkaran, 2017:113).

Findings also show that some TPT management pose a challenge to using procurement for ET. It was noted that although TPT Management made a decision which led to a major opportunity for a firm, however TPT was faulted for discontinuing the process when similar programmes could have been offered to other emerging businesses (Executive Director: Jupilog Consulting, Interview, 022/05/2019).

Furthermore, there appears to be lack of buy in from the end users as transformation is seen as procurement issue instead of the entire organisation, and the process might take time as

market analysis must be carried out to assess opportunities for transformation (FGD, 09/04/2019). More often than not, one tends to find that the kind of attitude a contractors/Supplier have towards economic transformation and the programmes that emanate from it, is almost directly proportionate to the approach and seriousness taken by TPT representatives when communicating with suppliers. Although they may not consciously be aware of it, TPT employees involved in particular project such as, project managers, sourcing specialists, engineers, technicians, operations managers, in their engagement with contractors/ suppliers are representatives of the values and visions of TPT and its culture. Their opinions and approaches to discussion on the topics of economic transformation and programmes such Supplier development has a tremendous impact on the contractors overall view of its importance, which is commonly seen as being unimportant. This attitude creates a sense of disappointment in other contractors and supplier who fully embrace the SD initiatives who often felt that their efforts were not properly given sufficient attention.

Similarly, a significantly large number of managers at all levels and employees across departments and its terminals seem to not fully understand the potential impact and contributions that TPT's procurement activities and events can have on achieving strategic economic goals. The SCM department being the custodians of the procurement process and entrusted with executing and managing numerous procurement transaction of behalf of various end users from across departments and Terminals has to a certain degree failed to comprehend and then educate the end users on the potential economic impact each procurement event can have on the achievement of specific economic targets and most importantly transformation.

End users are often primarily concerned with receiving the good or service which they went out to the market to request. They remain ignorant and completely uninterested in others factors that may be impacted directly or indirectly. Their concerns purely remains on aspects relating to price and budget, conformance to technical specifications and the time to taken to appoint a contractor to provide the required product or services. ET aspects are completely neglected because it does not fall within their areas of focus or concern. This stance and attitude in most cases is also upheld and supported by their superiors. Thus, the billions of Rand spent year on year to procure products and services that are critical to the operation of TPT, often result in a fraction of economic impact that is possible (FGD, 09/04/2019).

There is also a narrow-minded tendency and silo mentality of TPT management not to give serious attention to issues that they consider unrelated to their individual portfolios poses a serious threat to ET. They completely neglect any other aspect which is often dismissed as not being area of focus or concern (FGD, 09/04/2019). This mentality and tendency restrict the implementation and achievement of economic Transformation goals is the lack of cohesion and co-operative working relationship amongst employees from the various sub departments within procurement. The department seems to be plagued by the silo mentality, in which each sub department seems primarily concerned with achieving its own project targets often at the peril of other departments, and at times opting to side with end users against important economically transformative recommendations that may be put forward by sub departments such as the Enterprise and Supplier Development (ESD) department in market analysis. The strategic advantage of having a procurement project pipe line document drafted and presented well ahead of going to market is disappointingly misunderstood and underutilised. Due to the over bearing silo mentality and lack of cohesiveness that seems to exist across TPT, including the SCM department, very little communication and joint planning, takes place between critical decisions makers within the department and end users that is, managers and critical employees within the department and those from the end users department or Terminal prior to procurement projects being given the go ahead.

On the other hand, findings clearly and categorically indicate a unanimous view that other stakeholders frustrate ET. These stakeholders were accused of demanding that they be awarded by TPT without following the processes (Acting CPO, TPT, Interview, 02/04/2019), “not complying in due time” (FGD, 09/04/2019) and exhibiting a “Sense of entitlement” (ESD Manager: TPT, Interview, 08/03/2019). Government was also blamed for frustrating ET, for not doing enough to research and provide recommendations on the designation of critical commodities such as port equipment which TPT spends millions of Rand procuring and refurbishing year on year (FGD, 09/04/2019). Previous studies have blamed the government for failing to enforce fully or demand across the board enforcement of policy. For example, there are no penalties for companies for not complying with policies (Tangri & Southall, 2008), and multinational firms are being exempted from complying with the ownership criteria of B-BBEE scorecard (Esser & Dekker, 2008) as should be the case in line with the tenets of targeted procurement (Watermeyer, 2000). Government also highly affects SMEs cash flow through delayed payments and corruption at certain entities and a serious lack of urgency (Regional Manager: Black Umbrellas, Interviews, 29/04/2019).

Findings also indicate disappointment with contractors for not honouring policies such as the national development plan, national treasury regulations, PFMA, BEE Codes and other policies that should be used to execute transformation (FGD, 05/04/2019). Hills (2015) has pointed out that “a critical encumbrance to the policy is companies trying to make it difficult for disadvantaged individuals to break through the ceilings. Most companies pay lip service to issues of equity. Although they develop equity plans, they hardly implement them.” This agrees with the position that the first among challenges to ET is the resistance to the policy by businesses especially the historically white owned businesses (Leonard & Grobler, 2002). Established firms prefer to avoid outsourcing but where outsourcing is unavoidable, they utilise a closed network system. Large contractors also tend to assign to small entities limited roles and low-value activities that do not contribute to their development (Executive Director: Jupilog Consulting, Interview, 02/05/2019). These contractors are reluctant to fully transfer skills through sub-contracting (Regional Manager: Black Umbrellas, Interviews, 29/04/2019). Chipkin & Lipietz (2012) likewise argued that the public sector administration is problematic not because of the inefficiencies, but lack of transformation from post-apartheid administration to the ANC strategy and the implementation of its empowerment policies. The failures of government and established business entities to successfully pursue ET agenda could be as a result of the dynamics of governance networks. According to Stoker (1998:23) “governance networks ... involve not just influencing government policy but taking over the business of government.” Furthermore, “actors and institutions gain a capacity to act by blending their resources, skills and purposes into a long-term coalition: a regime” (Stoker, 1998:23). Building regimes can be easier in respect of some policy goals than others. For example, some policy goals may be favoured against “others whose achievement may be more intractable and problematic ... The difficulties and challenges of collective actions become more intense as regimes propose more radical and socially inclusive change” (Stoker, 1998:23).

Findings also indicate that some policy and procedural challenges to TPT using procurement to pursue ET. One of such challenges is the “Removal of SD as a pre-qualification from tenders” (Acting CPO, TPT, Interview, 02/04/2019) thus, SD programme which is a pillar for ET is no longer a prequalification in the procurement strategy (FGD, 09/04/2019).

## **5.5 HOW TPT PROCUREMENT CAN PROMOTE RADICAL ECONOMIC TRANSFORMATION**

There were suggestions as to how TPT procurement can become amenable to promoting RET. At this stage, TPT cannot really pursue Radical Economic Transformation as it primarily exists as a political concept that has not been translated into policy document or linked to legislation. The concept still need to be further unpacked and properly integrated into existing policies (FGD, 09/04/2019).

However, findings suggest that TPT can play a role in pursuit of RET within the current policy and legislative frameworks by clearly communicating medium to long term plans, by deliberate efforts and investments in SMEs that can be ready and competitive to be able to take advantage of opportunities, as well as by monitoring ESD subcontracting more vigorously and enforce consequences for non-compliance (Regional Manager: Black Umbrellas, Interview, 29/04/2019). Watermeyer (2000:7) notes that for targeted procurement to work, sanctions must be “applied to contractors who in the performance of their contracts fail to deliver their contracted social deliverables.”

TPT must first allocate small projects to emerging enterprises without going through the tender process, by setting aside various commodities for emerging suppliers, Black African SMMEs and supporting them to secure and execute work. Furthermore, TPT should return to a holistic support approach for developing new suppliers including providing capital and operational finance, skills development, mentoring and progress-monitoring activities in ESD budgets (Executive Director: Jupilog Consulting, Interview, 02/05/2019). This agrees with Watermeyer’s (2000:7) position that “Targeted Procurement, through a variety of techniques, provides opportunities for participation by targeted enterprises, even to those who may not have all the necessary resources, capacity or expertise to perform contracts in their own right.”

The option of partnerships with large suppliers and other corporates to form a collective ESD budget for emerging suppliers may also be explored. Establishing co-operation platforms of government stakeholders and support organisations to assist SMMEs to increase their local content contributions as well as establishing a standing arrangement with banks and/ or development financiers to ensure that small or emerging black-owned firms will be able to finance a portion of large-scale opportunities awarded to them (Executive Director: Jupilog

Consulting, Interview, 02/05/2019). This opinion follows the ideal of targeted procurement as promoting “business linkages between large and small scale enterprises as targeted procurement is sufficiently flexible to be used in goods, services and engineering and construction works contracts” (Watermeyer, 2000:7).

It was suggested that the pace of ET can be made faster and radical if the Trade and Industry department (DTI) and National treasury can extensively review some of its existing economic Transformation policies with an aim of seeing which ones have yielded the most positive results. In this way, the Departments can strategically refocus their efforts and resource on accelerating and improving policies and programmes that have shown the best results as well the ability to reconfigure those that aren’t yielding the desired results (FGD, 09/04/2019). To do this, monitoring and evaluation systems are to be put into place to monitor progress and evaluate impact. Also, consequences for non-performance in this area are to be effected, otherwise those that do not have the willpower will continue with their anti-transformation agenda and not be penalised for that (ED Manager: DCCI, Interview, 07/03/2019).

Similarly, it was found that for ET pace to radicalized resources, both personnel and financial have to be put aside (ED Manager: DCCI, Interview, 07/03/2019), contracts unbundled (Regional Manager: Black Umbrellas, Interview, 29/04/2019) and all tenders or work to a certain value should go to the majority black owned businesses or joint ventures (Managing Director: Bosch Ulwazi, Interview, 23/03/2019) , as well as targeted recruitment and training in collaboration with stakeholders (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

Findings show divided opinions as to whether TPT should limit its ET agenda to only business-related industry. Suggestions were that TPT programme for ET should not be limited to business-related industry as TPT is already engaging suppliers in developing communities on SD programmes (Acting CPO: TPT, Interview, 02/04/2019). ET should also at re-orientation programmes for pupils and tertiary education students, to adjust their mind-sets before they move into the working category (Regional Manager: Black Umbrellas, Interview, 29/04/2019). On the other hand, it was also suggested that TPT should limit its ET agenda to business-related industry only as TPT must make profit and survive (Manging Director: Bosch Ulwazi, Interview, 23/03/2019). Initiatives must be limited to those firms serving the operations of TPT. Thus, transformation activities and related investments should

therefore be committed to enhancing operations within the organisation's core business (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Study findings also indicate that in order for ET programme to reach PDIs and rural communities who suffer from double exclusion since they are marginalised on the basis of race as well as their location (ED Manager: DCCI, Interview, 07/03/2019), targeted programmes should be initiated for rural areas and PDIs as such programmes possess the capacity to broaden the reach of TPT's ET programme (Executive Director: Jupilog Consulting, Interview, 02/05/2019). TPT needs to prioritize "State Resources as a seed pipeline to Small Business Development" as well as community involvement (ESD Manager, TPT, Interview, 08/03/2019) and by collaborating with entities that already have a footprint in those areas and already working with those communities (Regional Manager: Black Umbrellas, Interview, 29/04/2019). Partnership programmes already exist for these areas under Seda (Small Enterprise Development Agency), provincial departments and agencies dealing with rural or economic development, SETAs and non-governmental Organisations and Institutions (Executive Director: Jupilog Consulting, Interview, 02/05/2019). Opinions also suggest that TPT should also strategically focus on working closely with organisations advocating for the right and empowerment of people living with disabilities through various ED programmes to ensure these groups of people are made aware and adequately prepared for opportunities targeting by QSEs and EMEs (FGD, 09/04/2019).

Findings also indicate varied opinions about the adequacy of TPT's procurement processes to support RET. Thus findings were positive that TPT's procurement processes are capable of supporting RET. The measures have already been supportive of emerging suppliers (Executive Director: Jupilog Consulting, Interview, 02/05/2019). However, there are denials that TPT procurement processes are adequate to support RET the policies and procedures within which TPT procurement operates currently limits its ability to support RET (FGD, 09/04/2019). For example, there are complaints or racial favouritism in TPT's support in favour of Indian-owned businesses. Thus, there is need to do things differently (Acting CPO, TPT, Interview, 02/04/2019). The process of being able to do work with TPT needs to be relooked as it is a challenge for emerging businesses and also to communicate plans and intentions in order for SMEs to be better prepared (Regional Manager, Black Umbrellas, Interview, 29/04/2019). Furthermore, it was observed that it is premature to tell whether

TPT's procurement has the capacity to support RET because the status of RET discourse remains political rhetoric and not yet a policy (FGD, 09/04/2019).

Findings similarly indicate contested views as to whether TPT as a business at large is in support of the RET agenda, and in what ways it has shown this support. It was denied that there is evidence of radical economic transformation being advocated or implemented by TPT, primarily due to fact that it is not an official policy" (FGD, 09/04/2019). However, it was noted there is support for RET as TPT has ensured where possible that its clients and suppliers are BEE compliant and has even gone a bit further and brought in Black majority ownership as a criteria for acquiring work (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). The ways in which they have shown this support included "Supplier Development Programmes and related sponsorships, Preferential Procurement, inclusion of Supplier Development targets in tender conditions for contracts" (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Findings also propose caution, collaboration and formalization of RET as a policy in order for TPT to be able to promote RET. Caution because TPT has to make profit and survive. Therefore a structured approach is needed, in order to avoid making changes that are radical and in the process increase TPT's operational costs (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). Collaboration, will engender deliberate and targeted projects, stricter terms for established businesses that do business with TPT, action and consequences upon all wrong doing especially by main contractors (Regional Manager: Black Umbrellas, Interview, 29/04/2019). Sanctions are in line with the theory of enforced cooperation proposition that cooperation among actors in pursuit of collective action is driven by two main reasons: the threat of a central authority, and common objectives or self-interest. Thus, sanctions are necessary as stakeholders may not cooperate where there is no effective central control to enforce cooperation on them or where there is no common overriding motive for benefits of stakeholders (McQuaid, 2000). However, there isn't much that can be done until the concept of Radical economic transformation is properly defined and integrated into exiting policies or introduced a stand-alone policy (FGD, 09/04/2019).

## **5.6 HOW TPT's ESD PROGRAMME CAN CONTRIBUTE TO RADICAL ECONOMIC TRANSFORMATION**

Currently, ESD is the major programme of TPT in respect of B-BBEE and ET generally. The intended goals for ESD as is with other ET programmes are noble. It can become a veritable instrument for RET. However, ESD in its current form and execution has been bedevilled by the challenges that faced previous ET regimes. Findings indicate not only challenges that hindered ESD from unleashing its full potentials for ET but also faith in the capacity of TPT to use its ESD to contribute to RET if properly articulated and implemented.

While findings show that TPT cannot pursue radical economic transformation as it may be outside of the prescribed ESD initiatives (FGD, 09/04/2019), it can contribute to RET if correctly implemented. ESD used correctly for the intention it was established for is the right tool for radical economic transformation. For now, the broad-base aspect is lacking as it tends to benefit the same group of beneficiaries who keep benefitting time and again thereby limiting the wider impact it is supposed to have (ED Manager, DCCI, Interview, 07/03/2019).

Findings indicate that ESD can be used to pursue RET through targeted procurement (ESD Manager: TPT, Interview, 08/03/2019), skills transfer and community development (FGD, 09/04/2019), and by “Investing in the development and training of SME to become sustainable and competitive businesses” (Regional Manager: Black Umbrellas, Interview, 29/04/2019). TPT has the right ESD vehicles to deliver on RET, however, there is room for improvements (Executive Director: Jupilog Consulting, Interview, 02/05/2019), through benchmarking or further research (Acting CPO, TPT, Interview, 02/04/2019).

Findings also show that TPT' ESD programme has been effective in contributing to ET and can be useful in the pursuit of RET in the future. For example, TPT's ESD programme beneficiaries are doing very well business wise and are contributing a lot in skills transfer, job opportunities and funding new businesses (FGD, 09/04/2019). The greater percentage of these beneficiary firms continue to operate and some have scaled up their activities (Executive Director: Jupilog Consulting, Interview, 02/05/2019), and “are creating employment for their communities and improving theirs and their employees' quality of life” (Regional Manager: Black Umbrellas, Interview, 29/04/2019). However, the situation is not all flowery and positive as there are relatively few stories of beneficiaries attaining long term sustainability due to being a beneficiary (FGD, 09/04/2019).

Policy and procedural gaps are common features of any programme. Previous ET programmes embarked upon by South Africa's government suffered as a result of gaps. Similarly, there are gaps in TPT's ESD that can affect the implementation of RET. Findings indicate that policy and procedural gaps primarily exist as a result of "Lack of cohesion between ESD and Procurement" (Regional Manager: Black Umbrellas, Interview, 29/04/2019). For example, "The removal of SD as a Prequalification has created the gap within the Supplier Development" (Enterprise and Supplier Development Manager: TPT, Interview, 08/03/2019). Similarly, generic development which does not fit all types of SMMEs creates gaps (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). Furthermore, findings indicate:

Lack of a structured approach to ESD, lack of measures for support in key areas, such as access to finance (capital and operational) in appropriate cases, skills development support, product development, mentoring and monitoring, lack of integration and co-operation between government departments, support agencies and organisations, including ESD custodians in the SOEs (Executive Director: Jupilog Consulting, Interview, 02/05/2019).

Findings also reveal a balance of positive, negative and non-committal persuasions in respect of whether socio-economic development policies guiding ESD are adequate enough to pursue RET. While findings suggest that "Policies are great" (Regional Manager: Black Umbrellas, Interview, 29/04/2019), it was not clear whether the policies were effective enough. For example, while the policies may be fair for the large black-owned companies, the 80/20; 90/10 requirement is problematic for less developed businesses. The higher-price threshold demanded by this policy often gives bargaining power advantage in favour of well-established competitors. Small suppliers usually have to purchase from the same large suppliers and then add their mark-up on top of the competitor's mark-up. The need to cover costs further causes them to set their prices high relative to competitors (Executive Director: Jupilog Consulting, Interview, 02/05/2019). However, emphasis was that all policies and processes have to be handled and incorporated into the process for the best possible result (Managing Director: Bosch Ulwazi, Interview, 23/03/2019). They need to be clarified and even processes mapped at Transnet Group level on how to implement (Acting CPO, TPT, Interview, 02/04/2019), implementation needs more resources in order to be seamless and

successful, and access to market needs to be improved (Regional Manager: Black Umbrellas, Interview, 29/04/2019).

## **5.7 SUMMARY**

This study found that there are reasonably high levels of knowledge and understanding of radical economic transformation as a concept. There were failings in the contribution of TPT to ET particularly in the areas of local content and localization. However, to a certain extent, TPT has been successful in promoting ET by vigorously developing emerging black owned enterprises to become bigger suppliers to Transnet thus improving the transformation process. There were also challenges that confront TPT in using its procurement process to contribute to the implementation of ET policies. Policy and procedural hiccups were common challenges. For example, PPPFA is not fully applied, procurement plans are not done in time to allow for assessment of commodities to be used for transformation, tendering templates are complicated for small commodities, adverts cannot reach the entire population, and there is apparent lack of will power of the management and employees to pursue transformation.

At this stage, TPT cannot really pursue Radical Economic Transformation as it primarily exists as a political concept that has not been translated into policy document or linked to legislation. However, TPT can play a role in pursuit of RET within the current policy and legislative frameworks by deliberate efforts and investments in SMEs that can be competitive and take advantage of opportunities, as well as by monitoring ESD subcontracting more vigorously and enforce consequences for non-compliance.

## **CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS**

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### **6.1 INTRODUCTION**

This chapter presents recommendations based on the findings from this study which is on the use of Procurement as an instrument for Radical Local Economic Transformation: case study of Transnet Port Terminals. This conclusion consists of three sections. This introduction is followed by the presentation of procurement as an instrument for radical economic transformation as a summary of this dissertation in the second section. Recommendations are provided in the third section.

### **6.2 PROCUREMENT AS AN INSTRUMENT OF RADICAL ECONOMIC TRANSFORMATION**

In South Africa economic benefits of democratic reforms have been less satisfactory for most of previously disadvantaged individuals and groups as continue to be disempowered economically. This situation derives from the slow pace of previous affirmative action legislation to achieve economic transformation, and has necessitated the initiation of a radical regime of economic transformation by the government.

The use of procurement as an instrument of economic transformation by state institutions generally, and Transnet Ports Terminal (TPT) in particular, occur within some complex political and socio-economic contexts. To analyse TPT's use of procurement processes as a vehicle to address the ubiquitous local economic development challenges and contribute to government's new drive to radically transform the economy, a multi-theoretical framework including the theory of targeted procurement and two complimentary theories of governance, and enforced cooperation was adopted.

Scholarly literature related to the using procurement processes as instrument for local economic development in general and South Africa's government pursuit of a radical economic transformation in particular, were reviewed. It explored the apartheid legacy of economic marginalization of greater majority of South Africa's blacks, its persistent impact in creating and sustaining lopsided socio-economic realities where blacks were denied private sector business ownership and positions of senior management responsibility in public sector, as well as the response of the state to remedy the situation and provide enabling environment

for economic transformation. The role of TPT as a state-owned enterprise towards achieving local economic development and how it can use its procurement processes to contribute to radical economic transformation was also brought to focus.

This study used semi-structured personal interviews, focus group discussions, and official documents as tools for data collection. Semi-structured interviews and focus group discussion (FGD) were particularly beneficial as they provided the advantage of adaptability as the interviewer could probe responses and follow up ideas (Bell, 1999). A purposive sampling technique was employed by the researcher to select key informants who were involved in TPT procurement, as well as key informants from contractor entities that provide services to TPT and businesses owned by PDIs. This sampling technique made it possible for the researcher to use her discretion to select and interview those that knew most about TPT's procurement and empowerment programme (Saunders et al., 2007; Walliman, 2005).

This study found reasonably high levels of knowledge and understanding of the concept of radical economic transformation. Although the contribution of TPT to ET particularly in the areas of local content and localization has not been optimal, it has been successful in promoting ET by vigorously developing emerging black owned enterprises. Policy and procedural hiccups were common challenges. For example, PPPFA is not fully applied, procurement plans are not done in time to allow for assessment of commodities to be used for transformation, tendering templates are complicated for small commodities, adverts cannot reach the entire population, and there is apparent lack of will power of the management and employees to pursue transformation. Findings also indicated that TPT cannot really pursue Radical Economic Transformation at this stage as it primarily exists as a political concept that has not been translated into policy document or linked to legislation. However, TPT can play a role in pursuit of RET within the current policy and legislative frameworks by deliberate efforts and investments in SMEs that can be competitive and take advantage of opportunities, as well as by monitoring ESD subcontracting more vigorously and enforce consequences for non-compliance.

In order to achieve desired transformation, relevant policies must be effectively implemented including imposition of serious and effective sanctions against violations and circumventions

of RET principles. RET regime must be able to create and provide economic opportunities to the target groups otherwise it will fail as other ET processes before it.

### **6.3 RECOMMENDATIONS**

Based on the study and in addition to recommendations by research participants above, the following recommendations were proposed to better advance the use of TPT's procurement processes as an instrument for RET agenda of the government of South Africa. Since the dawn of democracy, the South African government has presented policies for ET but has always fallen short of proper implementation of those policies in a manner that benefits the greater majority of South African citizens. Now it seeks to pursue a policy of radical economic transformation. However, the success of this transformation agenda depends on effective implementation of the policies that are proposed (Mofokeng et al., 2018).

One of the policies that are not fully implemented is the PPPFA. This Act provides that preference be given to suppliers which are EMEs or QSEs and/or with a BBBEE compliance level 1 and 2 that favors new upcoming enterprises whose turnover is R10m and below and are at least 51% black owned and are were previously disadvantaged. The regulations also prescribes that where it is feasible, procurement events that are R30m and above must subcontract 30% of the contract value to these entities as part of including them in the economy. The challenge here is that the 30% may be far too little to make any significant contribution to the sub-contractor especially if the services in the value chain are not worth much. The regulation must take into consideration non-financial contributions which will address the capability issue and radically enforce enterprise and skills development.

Similarly, the Competitive Supplier Development Policy (CSDP) prescribes that foreign companies doing business in South Africa must invest in the country through industrialisation and localization. To enforce this policy, it should be made mandatory for foreign companies to commit a percentage contract value to Enterprise and Supplier Development and provide a detail articulate statement of how they plan to support local suppliers economically, technically and create employment. This plan should give details of different initiatives that will grow the smaller entities and how skills will be transferred to increase local supply base and include them in the economy.

TPT possesses an up to date and sound ongoing corporate Enterprise and Supplier Development Strategy. This strategy must be implemented fully in addition to other transformation oriented strategies and frameworks. Furthermore, TPT can set additional supplier development investment targets by contract value for specific opportunities.

Another recurring challenge is that procurement plans are not done in time to allow assessment of commodities to use for transformation purposes, Proper pro-active planning would result in collective discussions and agreement on the most effective procurement strategy that would yield the most desirable outcome for all the departments involved,

Tendering templates are complicated for small commodities. SMMEs find it a lot more difficult to benefit from procurement process due to tendering process that give advantage to established businesses and hinders SMMEs to acquire big contracts. Thus, there is need for regular, ongoing, yearly roadshows to educate businesses particularly SMMEs on the various aspects of tendering process. Furthermore, the tendering templates, knowledge of how the procurement system functions, and the role of buyers should be simplified so that the target groups can find them less difficult to understand and comply with.

Difficulties in registering on TPT and Transnet supplier database, minimal and lack of information and lack of clarity of TPT's ESD requirements in respect of opportunities for local suppliers should be addressed. Often adverts for tenders often do not reach the entire population.

People living with disabilities are very often overlooked when it comes to business opportunities, therefore TPT needs to strategically focus on working closely with organisations advocating for the right and empowerment of people living with disabilities through various ED programmes to ensure these groups of people are made aware and adequately prepared for opportunities targeting by QSE's and EME's.

Rural communities can best be reached through partnerships. Programmes already exist for these areas under Small Enterprise Development Agency (Seda), provincial departments and agencies dealing with rural or economic development, Sectoral Education and Training Authorities (SETAs) and Non-governmental organisations and other institutions.

Strengthening these programmes and sponsoring new ones will contribute immensely to overall objectives of RET.

One of the greatest challenges restricting the achievement of economic transformation is the lack of buy-in from critical internal stakeholders (within cross functional sourcing teams). These critical stakeholders who are an integral part of most of the procurement project appear to lack the necessary appreciation and understanding of the importance of economic transformation. Similarly, there seem to be lack of will power of the employees to pursue transformation agenda instead of just doing it as part of the checklist. Everyone and every department in TPT should be involved in transformation. It shouldn't rely only on procurement. Transformation agenda must be a Transnet-wide affair.

The tendency of TPT management not to give serious attention to or neglecting issues that they consider unrelated to or outside the area of focus or concern of their portfolios, must be discarded if RET is to ever begin to attempt to be successful. Each department must be mandated and required to meet transformation target through their financial year spend. The role of procurement should be to ensure that other departments fully and properly comply with and implement RET according to procurement policies and procedures as well as evaluate the performance of these departments and employees in respect of achievement of key economic transformation KPI's put forward by the Department of Public Enterprise (DPE).

Implementation of local content requirements for projects and long-term service contracts must be vigorously and determinedly pursued. Thus, a sound and robust collaboration is needed between Transnet divisions and custodians of localisation, industrial finance and product development (e.g. the DTI, IDC and CSIR) to ensure that high proportions of the value of major capital procurements can be localised.

TPT should develop or acquire the necessary tools to conduct proper market analysis on the commodities that it buys, in order to understand the capacity of local suppliers to deliver, and what can be manufactured in South Africa so that subcontracting and local content can be set within tenders. Transnet as a group and TPT in particular should create and budget for a special portfolio charged with researching and providing recommendations on the designation

for local content of critical commodities such as port equipment which TPT spends millions of Rand procuring and refurbishing on yearly basis. This portfolio will service the entire TPT in all matters and questions relating to identification and listing of commodities that should be designated for local content and localization. This will allow TPT to set aside certain commodities for businesses of PDIs and PDGs to compete amongst themselves instead of being forced to compete with large and established enterprises in areas where the latter already have established many years of competitive advantage.

Commodity and spend analysis should be conducted in order to identify procurement opportunities that can be targeted at specific designated groups. Spend analysis will assist in identifying repetitive spend with the same suppliers that hinders new entrants from being included in TPT procurement processes. A regular rotation of suppliers will fast track the inclusion of new entrants and radically improve economic transformation.

ESD has to be industry-specific or process-specific as generic development or empowerment initiative may not work for all SMMEs. For example, specific ESD programmes can be targeted at selected groups of suppliers. The needs of each group can be assessed and customised intervention measures implemented for them. If successful, then several of such programmes can be rolled out to broaden the footprint of ESD support. TPT should incorporate clear and measurable development goals for any of these interventions especially those targeted at rural communities and PWDs.

Incubator programmes should be launched to provide skills and necessary infrastructure for entrepreneurship. The activities of such incubator centres must not be limited to Transnet business-oriented initiatives.

Frustrating Legislation, National Treasury's instructions, as well as Transnet Group directives such as removal of SD as a prequalification hamper TPT's use of procurement to pursue ET. Thus, a review of such legislation, instructions and directives is an urgent need if RET is to be successful. SD should be restored as a prequalification for contract award.

Outsourcing to black-owned SMMEs should be made mandatory for established businesses. Established firms prefer to avoid outsourcing and where outsourcing is unavoidable, they

utilise a closed network system. They also tend to limit the roles they assign to small entities thereby contributing little to their development. Many established companies that do business with TPT have their own self-imposed internal policy on Corporate Social Investment, Enterprise Development and skills transfer to empower emerging local SMMEs. However they fail woefully in terms of implementing those policies that they appear to pay lip service to their own tenets of transformation. Thus, Service Level Agreements (SLAs) should incorporate the development of upcoming enterprises and create capabilities and competitiveness through skills development. Target or beneficiary businesses must have a significant black ownership that is not less than 51%. Monitoring and evaluation of implementation of ESD components of contract and SLAs by established firms should be strengthened and non-compliance, shoddy performance or reluctance to fully transfer skills seriously sanctioned.

Mofokeng et al (2018) has noted that one of the greatest challenges that faced previous ET regimes was the issue of fronting. Fronting distorts the whole idea of transformation by making procurement objectives difficult to be met. Fronting is encouraged by corruption and secrecy behind tender processes and awarding of contracts. Thus, TPT can overcome this challenge by making tender process open and transparent. This will allow for public vetting and verification and interested parties. Furthermore payments for executed contracts should be made only after ownerships of business have been verified and that commensurate transfers are made to black co-owners. Where fronting is established, payment should be withheld to the degree of the fronted ownership.

Delayed payment for work successfully executed and corruption which causes delayed payment affect SMMEs' cash flow should be addressed in the most effective manner possible.

#### **6.4 CONCLUSION**

Since the dawn of democracy, the South African government has presented policies for Economic Transformation (ET) and now seeks to pursue Radical Economic Transformation (RET) because these policies due to ineffective implementation failed to achieve set goals of bettering the socio-economic welfare of the broader majority of South African citizens.

The government's transformation agenda depends on effective implementation of proposed policies in order to achieve desired transformation and serious and effective sanctions against violations and circumventions of RET principles. RET regime must be able to create and provide economic opportunities to the target groups otherwise it will fail as other ET processes before it. It is easy to say so many workshops have been conducted, so many training, so much accreditations, but the question is how all these efforts contributed to real economic opportunities for African people in terms of creating wealth for themselves (ED Manager: DCCI, Interview, 07/03/2019).

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