

**OPPORTUNITIES AND RISKS ASSOCIATED WITH HOUSING PROPERTY
INVESTMENT IN EXXARO**

By

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Abstract

Globally, a property investment has, and continues to be perceived as one of the best investment platforms. Some companies have opted to have a housing benefit linked to their organisational vacancies as a mode to attract the rare and best skilled individuals. Exxaro has a similar housing scheme, where it develops residential suburbs closer to its mining areas. This study investigated the employees' perspectives on housing property investment employed by Exxaro within its mining environments. This was a cross sectional study conducted among Exxaro employees using a self-administered questionnaire. Employee expectation towards the housing scheme was more on aligning the appropriate housing benefit to their vacancy within the organisation, which is what Exxaro did. This employee recruitment and retention strategy has enabled Exxaro to add its organisational value and attract, as well as retain the best scarce skill employees. This form of employee retention strategy requires large investment, so it is imperative to evaluate value output to value expected by Exxaro. Thus, similar strategies can be employed by other mining organisations as a form of scarce skill employee attraction methods. This study thus offers an opportunity to those organisations that are currently, or are planning on embarking upon this form of employee retention strategy. This retention strategy has been found to be value adding to organisations that have used it.

Key words: property investment employee retention Exxaro

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CHAPTER ONE: INTRODUCTION

1.1. Introduction

The mining sector in South Africa significantly contributes to the country's GDP. It is thus important that mining companies like Exxaro recruit and retain the best or the rare skill employees. As part of its retention strategy, Exxaro developed a housing division within its business units to ensure housing property investment execution meets employee expectations. In the same way, real estate has over the years been perceived as the business of constructing terrarium. This was due to "the extreme house price boom from 1999 to 2007" (Business Tech, 2015). The high property price increase was high due to economic growth which was 5%+ during the period of 1999 to 2007. This study is aimed at assisting those with the intention to invest, or grow their current property investment with greater understanding of social, environmental and governance issues influencing property value, as well as performance investment.

This chapter thus introduces the study. Firstly, the motivation for the study is given. The focus for the study is provided, followed by the problem statement. Thereafter, the objectives of the study and the research questions are highlighted. The limitations of the study are provided and lastly, the chapter concludes with a summary.

1.2. Background of the study

There is a concern regarding property prices declining as the South African economy has decreased by 1.3% (Stats SA 2015). It is also linked to great social responsibility and ethical practices. According to White (2015), housing property prices are assessed without fully analysing structural influences. Tam (2015) cites that the relationship between human capital,

value creation and personnel reward, reveals that there is rising interest in how intellectual capital can be used to create organisational value.

White (2015) seeks to understand the factors which influence property prices and structural influences. The difference between an investment property and one's own is that on the invested property, the owner gains on the monthly rental received and appreciation of the property value over time (capital gain). In the same way, Simon (2015) cited that tangible and intangible employee resource requirements are linked to expectation from their employment set-up. Manning (2016) highlights that employees require more from their work place. As argued by Pivo (2008), property housing stock should prove sustainable from other investment instruments in order to prove valuable.

Exxaro, at its headquarters and Grootegeluk coal mine, has 2960 employees and they currently have 1265 housing units between the two regions. The current housing occupation is at 1210, while the remaining 50 units have been reserved for emergency cases, for instance, when there is the need for housing for the high-ranking employee. All employees pay a subsidised rental to Exxaro and this works as a retention strategy for the company. Exxaro opened a separate department focusing on building housing so as to ensure that professionals that embark upon any employee housing project with Exxaro produce high quality units and the right price within expected time frame. Given this background information, this study examined if employees see the strategy as value adding in their life, in terms of it reducing their monthly cost burden, as well as providing them with houses of acceptable type and quality.

1.3. Problem Statement of the Study

Factors that employers should consider when developing a strategic plan for negotiations include: timing issues, including whether the contract expiry is consistent with operational needs and whether advanced preparations are in place to begin negotiations (Lueke, 2014). One of the most important issues is that many first-time home buyers think any property purchase is an investment and they think that if issues should arise, they would just sell it and walk away. Exxaro initially expected its employees to rent their property for a minimum of 5 years before

the employees could approach the company to sell the property over to them. This is not the case, as any investment option carries risk and the magnitude of risk is dependent on parameters that influence that investment. Property investment objective is to obtain risk of the asset to sufficient performance. Capital appreciation to income received while risk encompasses issues such as the security of the investment and liquidity measures performance. (Allio, 2015) argues that the strategy and leadership are aimed at to promoting successful, quick strategic decision making, in sequence and knowledge have to be distributed throughout a company, which means the role of the leader is deteriorating and that leadership has modest utility as an organizing standard. Employees lack the ability to take account of all the accessible information, compile comprehensive lists of alternative courses of action and ascertain the worth and probability of each of the possible outcomes. Exxaro took due diligence prior to embarking upon any property acquisition and development before reaching a comprehensive investment strategy so that its employees do not to go over that exercise upon property purchase. (Davis, 2015) suggests that the foundation to a successful career-development strategy has numerous vital features which include communicating clearly, beginning early and facilitating internal movements. There are direct elements required for Exxaro employees to become successful property investors and these include one's financial capacity and risk profile, property investment advice, property target market, analysing best property investments and knowing the maximum amount to pay on each property investment. Part of the problem statement would be on employees lacking such a basic requirement for developing an understanding of the worth, risk or return that might be linked to sustainable property acquisition.

1.4. Motivation for the study

The motivation for the study comes from an aspiration by the researcher to see supplementary value added by Exxaro through its employee housing scheme. The researcher tested the satisfaction of employee benefits in an employee-employer relationship and how it enhances the relationship, from an employee perspective. Exxaro took the risk of owning properties closer to its mines so that when resources get depleted and property value in the area reduces close to zero, it would take full liability for that, as opposed to its employees being responsible for that

risk. The focus of the study was to gain an understanding of the advantages of Exxaro property investment decision. The views of the employees regarding the benefits they receive from this scheme were investigated. The researcher believes that this would lead to increased success for other mining organisations that are looking at enhancing their competitive edge within their employment set-up. (Manning, 2016) cites that what top employees seek from the workplace suggests that sometimes the workplace takes a backseat to routine indicators and productivity metrics. The study did not investigate the views of the employer (Exxaro) because the researcher aimed at understanding the issue from the perspective of those at the receiving end (the employees), regarding how the investment has benefited Exxaro as a business. With this in mind, the study has the following objectives.

1.5. Objectives of the Study

The primary objective of this study is to determine whether Exxaro employees are satisfied with the housing property benefit from Exxaro. To support this process, the secondary objectives are to determine:

- The employee financial satisfaction and added advantage of the housing benefit.
- If the Exxaro housing benefit is a stimulating positive factor to the employer-employee relationship.
- Relationship between participants and their anticipated Exxaro housing property investment benefit
- Understanding how many years of service are participants planning to work for Exxaro upon receiving the housing benefit
- To evaluate the extent in which the Exxaro property benefit is perceived when compared to competitor schemes

1.6. Research questions

The research questions that were posed to Exxaro employees were as follows:

- Do Exxaro employees perceive housing property benefit from Exxaro as a stimulating positive factor to their employment relationship?
- What is the cost significance that Exxaro employees would pay, if building the same housing property in different locations, in order to evaluate value and see if it remains relatively the same?
- Is there a relationship between participants by classification (age, race, gender and expertise) to preferred Exxaro property investment option
- How much value in years of service did the Exxaro housing property scheme contribute
- How does Exxaro housing property benefit compare to competitors schemes

1.7. Significance of the study

This study evaluates the benefits of the housing property investment in mining areas, in order to validate the business decision taken by Exxaro to invest in employee housing property investment as part of its employee retention strategy. This study might also assist other mining companies recruit and retain their critical skills employees. Highly qualified employees have jobs or prefer working in the major cities and subsidised housing in the mining remote areas, which serve as an attraction in the case of Exxaro. Understanding the risks and opportunities of property investment prior to embarking on a property purchase is vital for an employee to attain a successful property investment decision. In addition, determining views of different employees on the subject of property investment enables one to be able to make informed decisions regarding the best employee housing property benefit to purchase price, the best location, etc. The final benefit is that this research can assist a regular South African employee on elements they would need to consider prior to taking up employment and evaluating property benefits linked to their employment contract. Employees need to be aware of the information at their disposal, in order to assist them in making valuable property investment decision.

1.8. Limitations of the Study

In this study, the researcher had to deal with the following limitations:

- a) The research quality was dependent on the Exxaro employee perspective of the perceived housing benefit.
- b) The data analysis and interpretation process was time consuming.
- c) Findings were complex to present in a visual way.

1.9. Dissertation outline

This study has five chapters. Chapter 1 presented the overview of the study by highlighting the background information to the study, the rationale, as well as the objectives of the study. The significance of the study is also described. Chapter 2 describes literature relevant for the study and this includes issues of property investment, as well as an analysis of Exxaro and its housing project. Chapter 3 discusses the methodology employed to answer the research questions. In that view, the quantitative methodology is described in detail. Chapter 4 is a presentation and analysis of the findings from the participants who partook in the study. Chapter 5 concludes the study by highlighting the conclusion and recommendations of the study, based on the findings.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter is a discussion of the literature for this study. In the chapter, the researcher focuses on these important issues: the definition of property investment, the extent of property investment, the advantages and disadvantages of property investment. Essentially, an economic analysis of property investment is also done. The business partnerships or competitors of Exxaro are also discussed, in order to assess where Exxaro is positioned in relation to its competitors. In the chapter, it is highlighted that the demand for socially responsible investment (SRI) has amplified due to a rising acceptance of community responsibility and sustainable development by organisations to better their employees and the areas in which they reside.

2.2. Definition of Property Investment

Property investment refers to “the accounting for property (land and/or building or part of a building or both) held to earn rentals or for capital appreciation (or both) (held by the owner or by the lessee under a finance lease)” (Deloitte, 2015). Over the years, property investment has evolved and more and more individuals have bought into property as a long term investment instrument (Taltavull de La Paz and White, 2012). (Halloran, 2012) puts forward that conversely, there are no major differences in income between organisation employees and self-employed individuals attaining piece rates, commissions and tips.

Post 1994, property development in South Africa grew and the uncertainty of returns on amounts invested on property slowly faded out of most employees’ minds. Properties developed by Exxaro in their mines prior to the price hike in 2007 enabled positive contributions towards company value and also to employees. (Simon, 2015), referring to personnel maintenance, argues: examining employment relationships from the perspective of managerial leaders suggests that organisations must invest resources in order to cultivate and maintain a motivated and capable pool of employees.

(Isaacson, 2015) argues that human enthusiasm is largely essential and that the aspects of this inspiration can be divided into independence, mastery and determination. Debris vacant land property investment is one area that is greatly overlooked worldwide (Grover & Grover, 2013). Exxaro developed vacant stands serviced with water, electricity and sewer, for its employees looking at building their own houses. These stands have been developed by some employees into housing units over the years. The benefits of owning land are unnoticed by property investors (Wei-Shong Lin, Jen-Chun Tou, Shu-Yi Lin & Ming-Yih Yeh, 2014), as well as by some Exxaro employees. (Jung, 2015) highlights that unknowledgeable employees would not appreciate the benefits received thus, leading to emotional workers, the supervision of feelings to precise organisationally desired reactions at work significantly affects both individual and organisational consequences, fluctuating from the employee's physical/mental well-being and job satisfaction to consumer service excellence/ performance and consumer satisfaction. Research has proven that employees receiving individual performance related pay (PRP) and profit sharing are more content with their jobs than those employees receiving income based on fixed time-rates, even after accounting for the elevated pay levels associated with PRP (Halloran, 2012). It is important for Exxaro to purchase the right piece of land, at the right price for them to be able to sell their properties to employees at prices below market value. Although vacant land is one of the best places to invest in, there are other factors to consider and these factors can totally destroy the value of the land. When these factors are taken into consideration, they can escalate the total price of ownership of the land and thus, destroying value to employees housing benefit. (Jr, 2015) puts forward the fact that employees may serve as unofficial arbitrators, evaluating and responding to the fairness of the organisation's treatment of its customers may be linked to employment satisfaction.

2.3. The extent of property investment

Exxaro employees can choose to add onto their property investment instrument the most popular investment types like shares and purchasing bonds. (Simon, 2015) cites that labour market trends reveal a growing shortage of personnel who can perform tacit work. There are different forms of property investment that Exxaro employees can utilize, such as buying a house to pooled funds

to rent out and/or live in. (Isaacson, 2015) also suggests that subordinates are accountable for most of the conduct that a manager encounters and is troubled with, and for the rewards that utmost motivate personnel within the institute. This gives employees a guideline on potential rewards and risks and where the organisation can source more information to educate employees on the subject of property investment. According to (Simon, 2015), a well-recorded challenge for companies involves investing sufficient resources to maintain a reasonable reserve of human resources without interpreting themselves non-competitive. Exxaro employees can benefit from two potential ways in order to gain, either through rent by getting an income from letting out property, or by selling the property received from Exxaro. (White, 2015) noted that the recent history of house price evolution reveals a market that exhibits substantial price volatility with annualised percentage price changes greatly, exceeding that of the change in gross domestic product (GDP) and household incomes. (Simon, 2015) suggests that skills and ability requirements vary from occupation to occupation. This can then enable employees to sell the property received from Exxaro and use those funds to purchase other property investment instruments directly, and they can then indirectly benefit from investing in property funds that directly invest in property. (Simon, 2015) further noted that social intelligence, the ability to understand others' needs and values, will be more critical in some roles; the ability to innovate will be more critical in others, while the ability to work well with others in teams may be of fundamental importance in other kinds of jobs.

2.4. Property investment: strengths and weaknesses

(Davis, 2015) highlighted the five ways career development in mismanaged in organisations. Employees also need to appreciate that property investment, whether direct and/or indirect, constitutes a long term investment. (Jusan, 2015) mentions that since the contribution of elements in housing decision-making has been formulated as the main research objective, analyzing the contribution of elements needs to be done by working downward from the goal on the top through criteria at the second level and then to sub-criteria on the third level and so on. On Protean careers, (Davis, 2015) highlights the employees changing careers than jobs.

Employees rely on distance learning to ensure planning for future career change. If employees are knowledgeable on the subject of property investment, they can benefit from selling the property at the right time and gain substantial profits when the market is the seller's (Ki and Jayantha, 2010). (Tam, 2015) cites that on the relationship between human capital, value creation and personnel reward reveals that there is rising interest in how intellectual capital can be used to create organisational value. The study by (Davis, 2015) further quotes that workers commonly have two or three occupation changes during their working life. Employees need to be aware of property over investing, such as having most of your money in buy-to-let property may present problems when the market is slow (Brown & Young, 2011). In order to stay ahead, rather have different property investment instruments so as to reduce risks and maximize profits. (Allio, 2015) mentions that strategy and leadership promote successful, quick strategic decision making, in sequence and knowledge has to be distributed throughout a company, which means the role of the leader is deteriorating, and that leadership has modest utility as an organizing standard.

2.5. Realising other sectors directly linked to property investment

The survey by (Davis, 2015) highlighted that 278 respondents (93.6%) indicated that they would have appreciated to attend organisation activities which would have enhanced their skills and contribute to their respective organisations. It is important for organisations to show employees that they are serious about career development. Exxaro constructing or purchasing property directly for employee utilization, or buy-to-let investment, may raise several risks such as longer periods of return on investment. Exxaro accepted most of the risk as it owns most of its properties on its property portfolio. The cost that Exxaro has absorbed for its employees through the housing scheme includes surveyor fees, solicitors, estate agents, stamp duty, conveyance fees and land tax. (Jago, 2015) suggests that there is substantial research to suggest that front-of-house hospitality employees are most at risk of work difficulties and organisations need to focus on strategies to alleviate the issues of stress and exhaustion for these staff. (Davis, 2015) also suggests that promotion can be a brilliant way to enhance career-development strategy when utilized to signify the successful accomplishment of an employee's career-development plan. Filling vacancies is in most cases based on the organisation's need than employee plans for

themselves and too often, promotion is rushed and short-sighted (Davis, 2015). Exxaro also exposes itself to additional risks by borrowing funds from financial institutions through bank loans or taking mortgage as there are no certainties as to whether recovered amounts will recover loan payments. (Jr, 2015) cites six factors to promote employment satisfaction and these include job meaning, job autonomy, empathy, proactive personality, risk-taking propensity and co-worker rule-breaking behaviour. It is important to do research before deciding on investing in property, also to know the advantages and disadvantages (Arindam & Saha, 2011). In this regard, Exxaro performed various feasibility studies prior to embarking on property development or acquisition, this determined whether a different type of investment may be suitable to enhance employee job satisfaction.

2.6. Economic Analysis of property investment

(Davis, 2015) cites that often, the undeserving person is promoted, placed into a vacancy he or she has little eagerness for, or the process lacks strategic intent or equity and usually limited preparation. Property investment is not considered liquid, as one would not be able to quickly convert its value to money (Wong & Hui, 2008). The Exxaro employee housing investment is intended to serve a long-term vision, as the short-term returns collected are only minimal to expect total return on capital invested. Exxaro accepted the risk of owning properties closer to its mines so that when resources get depleted and property value in the area reduces close to zero, it takes full liability for that and not its employees. (Allio, 2015) suggests that necessities to success include building a guiding partnership and recruiting an army of talented employees. Exxaro realized that they should rather scrutinize real property investment returns in home market before deciding on going on this form of employee retention strategy. Exxaro alters rentals as interest rates vary, so this affects returns and the recollection of base property cost does not work out as anticipated. (Manning, 2016) suggests that it is fair to say that most trades and leaders recognize the bottom-line influence of having involved and happy staff members, yet many establishments fall in the trap of being tempted to focus on the analytics, the consequences around productivity and competence, sales and profit first, slightly than starting at the basis: a lack of associated, driven, involved and happy staff members who want to provide more than one

can ever ask for. (Lueke, 2014), cites the factors that employers should consider in developing a strategic plan for negotiations and these include timing issues, including whether the contract expiry is consistent with operational needs and whether advanced preparations are in place to begin negotiations 90 days before the contract expires. There is usually more work when investing in property (Rosengren, 2008) hence, Exxaro, in its organisational structure, has the housing structure in place for tenant management and scheduling periodic maintenance. Exxaro deducts rentals on gross pay to employees to eliminate the frustration of rental collections when it comes to tenants. It also contracted super care cleaning services to ensure their properties are kept neat and clean all the time. (Jago, 2015), in his article about employee retention and talent management, confirmed that the issues identified as being the key drivers of staff retention remain important. Most career development is limited to setting a few short-term objectives after the annual performance review (Davis, 2015). Exxaro also has full time employees responsible for the maintenance of the housing units. In addition, Exxaro is also exposed to employees who do not take care about the organisation's investment and ultimately damage properties, which reduces the value of the property. Property could also be vacant for a certain period of time, exposing Exxaro to the risk of having to cover costs (mortgage, maintenance and security) relating to the unrented/unoccupied properties (Henk-Jan van Mossel & Jansen, 2010). (Isaacson, 2015) suggests that motivated employees are crucial to organisational success. Exxaro property interest rates are fixed, with the financial institution on commencement of the loan to minimize risk on market fluctuations, but this could affect the owner benefiting from favourable market indices. According to (Davis, 2015), career-development strategy, policies and written career plans for individuals, are rare.

2.7. Exxaro business partnerships/competitors

(Davis, 2015) states that employers do not align strategic human resource plans to career development, or communicate organisational approaches or document approaches to employee career growth. In the past decade, Exxaro had to positively respond to the rapid increase in electricity demand by increasing its employees to meet Eskom's increased coal expectations. The increased workforce by Exxaro was part of the Eskom Medupi power station expansion. The

employee housing by Exxaro was enabled and expanded in line with the increase in rare skill demand in the mining areas, so as to be able to meet Eskom's coal demand dates. (Jusan, 2015) view on priority of structural housing attribute preferences: identifying customer perception has preferences for structural housing attributes showing the contribution of each factor within their respective level and not the contribution of that factor towards the overall housing preferences were established. (Davis, 2015) cite the third P as planning, study suggests that many organizations do not prioritize or plan worker career development. The resultant projects by Exxaro and Eskom, including the resource loading to satisfy the demand for coal to fire the Medupi power station, have also stimulated national economy. The electricity resulted in more than 2000 new employees for Exxaro and Eskom combined, in the Lephalale area. (Jusan, 2015) noted the fact that housing preferences involve multiple-criteria decision-making, as each element has its own perceived relative importance. The study by (Davis, 2015) further highlights that most employers appear to have an outdated perspective of the psychological agreement, whereby they expect high levels of loyalty, commitment, effort and results without a proportionate value proposal for their employees. The real estate agents in the area realized the high number of Exxaro and Eskom employees moving to Lephalale and as the supply of housing was limited in the area, the demand increased and housing units ended up costing way above market value so it became feasible for Exxaro to build housing units for its employees (Kupke & Rossini, 2011). (Jusan, 2015) mentions that despite efforts to examine the issue from several aspects including consumer preferences for alternative dwellings, tenure options, and the impact of housing attributes, related location factors and environmental factors, the amount of research devoted to establishing a priority of housing attribute preferences is scarce.

According to (White, 2015), the increase in down payment requirements would also be expected to reduce house price growth, as this increases the severity of liquidity constraints facing potential borrowers. Exxaro, through its employee housing projects, saw significant infrastructure development in its operational areas hence, significant growth was experienced. The study by (Davis, 2015) revealed that nowadays, a salary to an employee is just not enough. Employees expect way more than just a salary. The Exxaro employee housing projects and future operations have provided extensive growth opportunities to down-stream industries and support businesses.

The development of the Exxaro mining areas lags behind the demand created for employee housing and infrastructure by the large number the capital projects in progress or envisioned for the near future enables extensive growth for Exxaro mining areas. (Manning, 2016) indicates that personnel are now more emotional, hyper-connected people that crave communication, partnership and real-time connectivity to feel involved and motivated within a firm. (Davis, 2015) highlights the psychological contract as the second P, the unwritten agreement between employees and employers has changed considerably in the past 30 years. Employees are an important resource for every organization and Exxaro has continuously, through housing, contributed positively to its employees. Exxaro Grootegeluk Mine was in dire need of employee housing for both the current and new employees earmarked for future developments in the Waterberg area. According to (Jago, 2015) revisiting talent management, work-life balance and retention strategies suggests the retention of critical employees. The current Exxaro employee housing strategy is aligned with organisational growth plans. The main business drivers for the increased Exxaro employee housing needs are as follows:

2.8. War for talent

Combined with financial deregulation that permits equity withdrawal based upon accrued housing wealth and the creation of buy-to-let advances, housing can increase consumption expenditure via housing wealth and collateral effects, as well as via investment income (White, 2015).

1. Exxaro competitors are offering cheap employee housing as a method of attracting and retaining talent
2. Certain scarce categories of employees [artisans] simply cannot afford housing
3. Rental costs of the available housing have escalated exponentially over the last few years because of supply and demand

2.9. New growth projects intended for the Waterberg

Numerous employees are studying through correspondence, in preparation for new careers, without communicating these plans to their current employers (Davis, 2015).

1. The Exxaro Char project was commissioned and it required housing for some of its employees
2. Exxaro is considering the implementation of a seven-day work week, which will give rise to the need for additional staff and employee accommodation
3. The Exxaro business expansion to meet the demand of the new Medupi power station coal induced a significant increase in the labour force, which has furthermore put a strain on the already limited available housing, hence, the residential property price hike in the mining areas.
4. Some of Exxaro future projects, like the possible doubling of the Char Plant capacity, as well as the commissioning of a Market Coke plant with associated co-generation facilities, are on the drawing board and these would require housing for the employees to be appointed for those positions. These projects needed employee housing even before the Medupi GG Expansion Project was commissioned.

According to (Allio, 2015) the essentials to success include building a guiding partnership and recruiting the best group of employees to form company talent. The integrated housing programme was the most effective housing solution which included the building of flats, houses, single quarters and townhouses. It is foreseen that the housing projects would run over a fairly long period until such time when the employee housing within Exxaro has stabilized or neutralized the demand. (Davis, 2015) states that there is a small number of organisations that are able to cater for employees who want to shift from, for instance, information technology to marketing or maybe from HR to transportation.

2.10. The need for Exxaro housing

Three driving forces constituted the employee housing need in Exxaro mining areas and these include, but not limited to;

- Exxaro Mines – require additional employee housing to accommodate current backlogs and to cater for planned future expansion
- The Grootegeluk (GG) Expansion Projects – GG mine ramped up considerably over the past 5 years and more projects are currently being executed, GG7 and GG8 have been commissioned and employee numbers have considerably increased. The increase in employee numbers necessitates the provision of additional housing units to cater for the additional housing needs.
- Exxaro GG Expansion – Exxaro also required housing to cater for its senior project management teams.

(Isaacson, 2015) defined motivation as the emotional process that gives conduct purpose and direction to behave in a purposive manner to accomplish specific, unmet desires, an internal drive to gratify a displeased need and the determination to achieve. The employee housing needs of Exxaro were established both in terms of the number and type of housing units required, as well as the budget required to build the houses. Subsequent to Exxaro housing budget approval, the housing team combined their requirements for housing to determine the overall Exxaro housing requirements. (Halloran, 2012), as well as Gurran (2008), cite that if employees cannot obtain similar rents in a time-rate position, one would expect to observe lower rates of turnover in jobs due to demoralised employees. The benefits of this approach include to:

- Align to the Exxaro Housing Policy resulting in standardisation of housing across all areas and employee groupings ensuring affordability

- An integrated and coordinated approach to the housing requirements in the Exxaro mining areas
- A single housing department per business unit (BU) with committed focus on the implementation and maintenance of the Exxaro housing properties.
- Economies of scale resulting in cost efficient implementation
- Facilitate ease of management as there will be only one division to manage
- Coordinated Exxaro employee project priorities

2.11. Exxaro housing need

Documented career plans for people and career-growth policies or strategies are rare (Davis, 2015). The current employee housing provision and capacity is for the current housing need and for the currently approved Exxaro projects excluding future projects. Future projects will have specific housing needs, of which will be determined by the housing division at the time of need. (Tam, 2015) cites psychological contract as a new human capital factors, and matures a method to measure human capital in terms of value creation and worker reward. Prior to any Exxaro employee housing implementation, extensive work is carried out to determine the significance of the type and size of employee housing property needed. In an effort to stabilize the workforce by retaining scarce category employees and attract the same category employees for the different projects, Exxaro needs to continuously increase its housing stock to accommodate growth of its business (Karantonis, 2009). (Jr, 2015) suggests that management research considered the influence of customers/clients on employee attitudes and behaviour, focusing on motivated employee responses to the demands of working with customers. The employee housing development is undertaken in phases, with initial phase aligned with immediate need and the subsequent phases for forecasted future demand. To cater for the subsequent forecasted demand, Exxaro owns suitable land in mining areas where they operate, which would be developed into

employee residential areas. This reserved land would be developed in phases to address the specific needs and subsequent phases for anticipated need. According to (Jusan, 2015), while climatically responsive designs are the principal rules of conventional housing development, the process of mass housing production these days displays a reckless disregard of such a necessity. The future Exxaro employee housing requirements are determined through a combination of the needs of the mines and that projected by project owners team. The Exxaro employee housing need is mostly put together from assumptions relating to projects and business growth based on the current and historic demand for housing. (Jago, 2015) suggests that the investigation on worker maintenance is the need to retain capable employees and a number of strategies to this conclusion are explored in the literature, such as preserving a work-life stability and increasing job gratification, organisational obligation and other worker attitudes. The specific need for employee housing types have been amended to cater for changed requirements and to align with the new Exxaro housing policy. Thus, some of the employee housing types used under the current policy have been discarded. It was assumed that the demand for Exxaro supplied housing would differ at the different hierarchical employment levels as described by the cover per employment grade. (Isaacson, 2015) noted that employees have five levels of needs: physiological, safety, social, ego and self-actualisation. It was also assumed that depending on the Exxaro employment grade, the type of housing would vary. These assumptions are based on current trends experienced at the Exxaro mines. Exxaro housing policy also makes the assumption that some of the units would be used as single quarters to house unmarried employees or those who stay alone and then in due time, some of them converted to family units. Exxaro employee housing changes to the housing unit mix were necessitated by the amendments to the housing policy. By amending the specific mix in housing types, the number of employee housing units required was reduced. However, despite the reduction in the number of employee housing units, the amended plan still allows the same number of employees to be housed as per baseline housing plan and requirements.

(White, 2015) noted that the advance market debt finance flows into housing markets are imperfect and characterized by asset heterogeneity and irregular information. The current housing capacity was estimated to meet employee housing needs up to 2015. The housing project

to cater for needs from 2016 and onwards is currently underway. This housing project is in progress during this unstable economy of South Africa and the Exxaro housing team is doing its best to maximize value in the current project.

The human capital conceptualization presented here would allow managers to act on intellectual capital measurement by linking human capital value with adequate pay, increasing motivation, commitment and productivity, achieving South Africa in the workforce, leading to increased innovation and reduced personnel turnover (Small, 2009). In order to satisfy the specific needs of employees to 2015, to ensure affordability and to make use of available land owned by Exxaro, the housing units would be built throughout the Exxaro mining areas in line with town and regional planning terms and regulations.

General comments include:

- The approval processes at local municipality remains a concern for the Exxaro housing project, as all building and all related infrastructure needs to be in line with municipal rules and regulations. The estimated times for the approval by the municipality is 6 weeks as per their indication. Some of the other developments have been waiting for a year.
- The construction time per Exxaro employee dwelling is estimated only in size. Complexity of construction might increase the duration
- Exxaro appoints architects who would carry out their employee housing designs is based on their project estimate.
- The instruction relating to “power of attorney” to the town planner for the employee housing scheme is formalized by Exxaro.

2.12. Gross Domestic Product and Socio-economic analysis

According to (Davis, 2015), promotion can be an exceptional part of a career-growth strategy when used to indicate the successful accomplishment of a worker's career-development plan. The Exxaro employee housing strategy eliminated waste through the attraction of highly skilled employees into Exxaro. This research seeks to improve Exxaro employees with the knowledge of the investment Exxaro has made in purchasing properties for them and how this benefits them. (White, 2015) suggests that the role of advance market liquidity is tested as a separate influence on the housing market from the effect of, the more traditional, interest rate channel.

This study will serve to highlight opportunities and risks Exxaro has considered when investing in housing property for its employees. According to (Pivo, 2008), these points of attraction, when it comes to the best property investment decision power conservation through using enabling innovation and utilising the most power efficient design, environmental protection through water recycling systems and habitation protection as a whole, professional certification through using certified building materials, ease to public transport access, developments that are urban revitalized, properties which provide adequate health and safety, employee wellbeing through community premises like childcare and church, corporate citizenship through access to hospitals and police stations, continuous community development through fair labour practice and local citizenship through consideration on construction impacts.

(Halloran, 2012) cites that prior studies have proven that employees receiving individual performance related pay (PRP) and profit sharing are more content with their jobs than employees receiving income based on fixed time-rates, even after accounting for the elevated pay levels associated with PRP. The question of interest is whether employee property investment by Exxaro is beneficial, as preserved by the organisation. Exxaro took the uncertainty out of the property investment for their employees as they were uncertain about investing closer to mining environments since depletion of resources is always a concern for all stakeholders. Again, prospective home buyers may also place priority on characteristics in terms of house arrangement and direction, with respect to cultural and environmental needs (Jusan, 2015; Wapwera, Ali Parsa & Charles Egbu, 2011; Austin, 2008). In order to be able to answer if Exxaro property investment decision is serving the intended purpose, one would need to assess

the statistics pertaining to Exxaro employees, conducting surveys on those who have benefited from the company's property investment. One hypothesis of the study is that property investing is beneficial or definitely yields returns (Alaghbari, 2010; Denis, 2011; Hui, Lau and Khan, 2011). (White, 2015) suggests that it is expected that there would be a negative relationship between house prices and interest rates, a priority, and a positive relation between house prices and advance lending. The missing key element is that most Exxaro employees do not seek relevant property investing information prior to investing. The concern and missing element is how Exxaro employees decide on property investment transactions. The research would have a primary and secondary data of property investing. Although limited, secondary data of property investors are limited to their intentions. Primary data will be the property investment decision and intentions of Exxaro when purchasing or investing in property. In his paper, Pivo (2008) identified two types of economically sound Return Property Investment strategies, namely the no cost and value added approaches. In the no cost approach; supervisors find ways to develop the environmental or social performance of their properties at zero added expenditure (Pivo, 2008). An example of a no cost approach would be to switch off electricity in vacant areas, for example, is a no cost approach that reduces the effects of global warming and cuts energy bills (Pivo, 2008). Exxaro property investment in this study will refer to multiple property investment articles and the point of view of the compiler of this research. Property investor intentions refer to the indication of willingness to pursue a beneficial property investment transaction. Local research will apply to national property investment decisions, with reference to global perspective in the same subject.

2.13. Exxaro employee analysis

The survey document will list the attributes against a Likert scale of 1 to 5; with 1 referring to an individual possessing the least and 5 the highest level of investor attribute in question. (Jago, 2015) cites that the qualifications of employee revenue, precisely job satisfaction and organisational behaviour, continue to be examined in the multiple literatures. To measure property investment intention, the question that Exxaro and its employees need to ask themselves is, has proper due diligence been followed to ensure maximum value creation for both Exxaro as

the employer and for the employees receiving the benefit? A 100% yes response would be taken as a reliable property investment and anything below that would be probability of reliability (1 - % confidence of reliable solution). As noted by (Allio, 2015) when we invent business solutions basing it to past experience, the current value systems follow 100% reliable solution.

Specifically, the variables of interest are Exxaro employee and as the employer to property investment value creation, we thus can look at property business knowledge surrounding decisions, planning and diligence, adaptability, open-mindedness, networking, knowledge-seeking, continuous research, communication ability, responsibility and financial proficiency. The article by (Davis, 2015) sets out the responsibility of line managers to ensure adequate performance management on organisational resource and ensure maximum value creation. Based on this, it would seem that the study would suggest that Exxaro property investment carries future investor intentions as the points mentioned above were honoured or carried through in a professional manner on all property investment decisions. It is expected that Exxaro utilized in its property investment decision future intentions so as to maximize positive property investment attributes. (Tam, 2015) indicated how concentrating on strategy implementation may reduce unnecessary cost and ensure intellectual capital expenditure. Another expectation is that Exxaro employees with positive property investment intentions would benefit more from the property benefit. (Neligan, 2012) categorizes the topic of property investment in three groups of investment questions:

1. Investors with no property investments in their portfolio to date do not tend to do so in the future. The majority of this group states that they do not plan to invest in direct and/or indirect property investments.
2. Investors with high shares in property investments (above 50 per cent) in their portfolio want to keep or increase this type of investments in the future.
3. If property investments only make up a low percentage of the portfolio (1-50 per cent) today, the majority of interviewed investors in this in group expect to at least hold their property investment shares in their portfolio

2.14. Assessment of participants (Exxaro employees) information

The plan is to use similar attributes that the literature associates with responsible property investing behaviour as well as measuring instruments for assessing investor intentions (Pivo, 2008). The employee housing by Exxaro was enabled and expanded in line with the increase in rare skills demand in the mining areas, so as to be able to meet Eskom coal demand dates. The resultant projects to satisfy the demand for coal to fire the power station and other major coal based capital projects in the area would also stimulate the regional economy, as Exxaro increased its employees and thus, the increase in housing demanded. For example, more than 2000 jobs were created from the Exxaro projects alone, this linked to the housing demand in the mining area led to drastic price increase in real estate in mining areas due to shortage in housing properties. (Allio, 2015) noted that while evolving a strategy is valuable, implementation can be an obstacle, as most employees give in easier to organisational change.

(White, 2015) insights on the cyclical and structural change in the housing market suggest that the unkind decline of the housing markets is seized through the error improvement term, which is substantial at the national equal and in all but three districts. Employees are the most important reserve for every organisation. The current housing strategy which in essence did not cater for large scale housing owned by the company is under revision. (Isaacson, 2015) cites that employee desires are regularly psychological. The Exxaro housing strategy places them well ahead of their competitors. After evaluating a number of alternatives, it has been decided that the most effective way to cater for the employee housing need was to embark on an integrated housing program that would require the building of houses, flats, townhouses, single quarters and infrastructure to cater for the forecasted Exxaro employee housing demand. It is foreseen that the housing projects will run over a fairly long period until such time when the housing market within Exxaro mining areas have stabilized to a state to be within the affordability of Exxaro employees (especially at lower levels).

2.15. The need for Exxaro housing

The housing needs of Exxaro were established both in terms of the number and type of housing units required, as well as the budget required to build the houses. (Jago, 2015) argues that addressing most employee requirement dimensions needs often leads to successful employment relationship. The current employee housing provision and capacity is for the current housing need and for currently approved projects excluding future projects. Future projects will have a specific employee housing need of which will be determined by the Exxaro housing division at the time of need. Prior to any housing implementation, extensive work is carried out to determine the significance of the type and size of employee housing property needed. In an effort to stabilize the workforce by retaining scarce category employees and attract the same category employees for the different projects, Exxaro needs to continuously increase its employee housing stock to accommodate the growth of its business. (Jung, 2015) Customers can read the regulated emotions of employees through the process of emotional contagion, which in turn influences customer evaluations of service quality.

The Exxaro employee housing need is mostly put together from assumptions relating to projects and business growth, based on the current and historic demand for employee housing. The specific need for housing types have been amended to cater for the revised requirements and to align with the new employee housing policy. Thus, some of the housing types used under the current policy have been discarded. (Isaacson, 2015) noted that the more positive the reward, the more likely the employee will be highly motivated.

It was assumed that the demand for Exxaro supplied employee housing to differ at the different hierarchical employment levels as described by the cover per employment grade. It was also assumed that depending on the employment grade, the type of employee housing would vary. These assumptions are based on current trends experienced at the Exxaro mines.

Prolonged periods of real house price inflation make housing an increasingly attractive investment asset (White, 2015). Exxaro housing changes to the housing unit mix were

necessitated by amendments to the housing policy. By amending the specific mix in housing types, the number of housing units required was reduced. However, despite the reduction in the number of housing units, the amended plan still allows the same number of employees to be housed as per baseline housing plan and requirements. As indicated earlier, the current employee housing capacity was estimated meet employee housing needs up to 2016. Successful leadership of employees eventually comes down to decent strategy and good prosperity (Allio, 2015). The current housing project to cater for needs from 2017 onwards is currently underway, despite the unstable economy of South Africa and the Exxaro housing team is doing its best to maximize value in the current housing project. In order to satisfy the specific needs of employees to 2015, to ensure affordability and to make use of available land owned by Exxaro, the housing units will be built throughout the Exxaro mining areas in line with town and regional planning terms and regulations.

The need for Exxaro employee housing in the mining areas is the result of three driving forces:

Exxaro Mines – different mines require additional employee housing to accommodate current backlogs and to cater for planned future expansion

Project Owners Team – The Project Owners Team ramp-up in terms of employee numbers to be in a position to commence operations on multiple Exxaro mines plant expansions. The increase in employee numbers necessitates the provision of additional housing units to cater for the additional housing needs.

2.16. Summary

This chapter discussed the literature review relevant to the study. An overview of property investment was provided alongside the extent of property investment. Importantly, an economic analysis of property investment was done. It was also essential it describe the business partnerships or competitors of Exxaro. The next chapter describes the methodology underpinning the study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter comprises a detailed description of the research methodology that was used in the study. The research design, research approaches and data collection strategy are discussed. The researcher also discusses the population, sample and sampling method. Thereafter, the data collection tool involving the structured survey questionnaire is described. The data quality control measures are also described. The researcher then gives a summary of the consistency and validity of the research, followed by a discussion of the data analysis process involving data reduction and data display. The researcher also highlights the ethical considerations of the study, as well as the limitations of the study. Lastly, the chapter concludes with a summary of the main sections of the research methodology. Prior to doing that, it is essential to reiterate that the purpose of the study was to investigate opportunities and risks associated with housing property investment in Exxaro from the prospective of evaluating value added through Exxaro investing on their employees housing facilities. The study focused on understanding how Exxaro benefits through giving its employees a housing benefit scheme.

3.2. Research Design

A research design is the blueprint of the sequence of how, where and when is data going to be collected and analysed (Cohen, 2011; Bhattacharjee, 2012:35). Sekaran and Bougie (2013: 66) define the research design as the “blue print for the collection, measurement and analysis of data based on the research questions of the study”. The important thing to mention is that the research design is influenced by the research questions and the objectives to be achieved (Creswell, 2014). In view of that, below is the research design for this study. This entails the collection, analysis and interpretation of data so as to answer the research questions. For this study, the quantitative approach was used. This is described in detail in the section that follows.

3.3. The quantitative approach

There are two broad types of research methods, the qualitative and the quantitative methods. The former deals with numerical data, while the latter responds to research questions which require the narrative analysis of data and observation. Quantitative methodology entails the collection of numerical data and reducing it into statistics, then the data are analysed through the quantitative techniques in order to draw inferences (Bhattacharjee, 2012: 35). The fact is that the quantitative approach objectively assesses data in an effort to remove bias from the researcher's perspective hence, the approach often adopts the use of a questionnaire (which is described in-depth under the data collection tool in 3.6).

3.4. Location of the study

The study was conducted in Exxaro mining areas which are predominately in the small town called Lephalale, in Limpopo.

3.5. Target population

Cooper and Schindler (2008) posit that population refers to all the elements from which inferences can be made. In other words, it is the number of people, objects or events with common observable features (Mugenda & Mugenda, 2003). It comprises the group of elements from which the researcher would generalise or learn. The population for the study is the Exxaro employee housing scheme beneficiaries. The population considered for the study consisted of employees from the Exxaro corporate office and Grootegeluk mine. The participants targeted for the study were the Exxaro mine employees who have benefited from the organisation's housing benefit scheme within the Lephalale Waterberg area. These employees were targeted because of their experience regarding the Exxaro housing scheme. Participants who agreed to partake were from Grootegeluk coal mine and Exxaro corporate office. The field work was undertaken at Exxaro headquarters in Pretoria and Grootegeluk mine in Lephalale (Ellisras).

3.6. Sampling strategy and sample size

Sampling is the selection of some parts or elements from the target population and from which the researcher would draw conclusions about the whole target population. The sample size thus entails the part of the population from which the researcher would extract information about the entire target population (Merriam-Webster, 2007). It refers to the exact set of people or elements from which the researcher collects data. Two main types of sampling include the probability and non-probability sampling. In probability sampling, every element of the target population has an equal chance of being selected into the sample (Bhattacharjee, 2014:67). Non-probability sampling is when the researcher purposively selects participants for the study, based on the participants' knowledge of the matter to be investigated.

In view of the above, the researcher used probability sampling to ensure the generalisation of the gathered data, since the target population was large. There are also types of probability sampling and these include the simple random, stratified and systematic sampling. Among these three, the researcher chose the simple random sampling, whereby participants for the study were randomly selected from the sampling frame (Bryman & Bell, 2010:179). The researcher obtained the sampling frame (a list of the individuals who had benefited from the Exxaro housing project) from the relevant officials. The sample size was thus 36 Exxaro employees who benefited from the company's housing scheme. Each participant was thus assigned a number, then the researcher randomly selected the participants until the envisaged sample size was achieved. The reason for using the simple random sampling was because the method generates an unbiased sample since the sampling frame would not be sub-divided (Bhattacharjee, 2014:65). In that way, the selected sample was representative of the target population. The sampling method chosen was used because the researcher wanted to generalize the findings, but properly sought out participants who added specific data and met the goals of the study.

The sample for this study was selected from the Exxaro housing beneficiaries. The targeted study contributors were selected because they had in some way benefited from the Exxaro employee

housing scheme. Initially, all Exxaro business units (BU) were targeted for the sample, however, two BUs ended up being considered for the study due to time and funds available to complete the research.

3.7. Data Collection Instrument: the survey questionnaire

Data collection tools according to (Sekaran, 2013), are the devices used to collect data. The researcher chose the survey questionnaire as the best fit for the study as this data collection instrument enabled the researcher to gather relevant data from Exxaro employees. The essence of a survey is that it enables the researcher to gather information about situations, views or practices at a certain point in time. The researcher also gets the chance to analyse more variables at a given time, which is not possible with other methods, like for instance, the field or laboratory experiment.

The survey questionnaire has got many advantages. It is a very familiar data collection tool which allows the participants to think through their responses and complete it at their own convenient time. With a questionnaire, large amounts of data are collected within a short space of time and with little effort. Another thing is that the researcher gets the chance to explain the purpose of the survey to the participants, which means the participants would also get a chance to ask questions on issues that they do not really understand. However, sometimes the questionnaire as a research tool gives a low response rate when some participants do not complete them and return them. The researcher also often experiences the tedious task of having to follow up on the participants, reminding them to return the questionnaire hence, it becomes time consuming. This happens because some participants lack the time to complete the questionnaire. To ensure the effectiveness of the questionnaire, the researcher clearly explained and read the instructions for the respondents, prior to completing the questionnaire. Before that, the researcher also scrutinised the questionnaire to ensure that it contained no information that would trigger biasness.

Employees who have benefited from the housing scheme were given opportunities to complete the questionnaire and give general comments at the end of the questionnaire.

3.8. Preparatory work

Prior to distributing the questionnaire, the researcher asked a peer to review the questionnaire before it was pilot tested on some people whom the researcher randomly picked and were not part of the participants for the study. The reason for pretesting was to refine some questions which might have sounded ambiguous and to ensure that the data collected would be answering the research questions (Bryman & Bell, 2010). The researcher thus responded to the issues that were raised by the people on whom the questionnaire was tested.

3.9. Ethical considerations

The researcher was granted ethical clearance from the University of KwaZulu-Natal's research committee, of which the process was time consuming before field work could commence. This involved being given gatekeepers' letters from the Exxaro management, authorising that their staff could take part in the study. Ethical clearance was given once all the gatekeepers' letters had been granted. To the participants of the study, the researcher explained the purpose of the study and participants were invited to participate, of which those who agreed showed by signing the consent form, which assured them of their rights and responsibilities during the period of data collection. Participants were also told of their right to withdraw from the study at any time they felt to do so and this would not be followed by any negative consequences. They were also assured of confidentiality and anonymity, while the researcher also explained to them that the data collected were merely for academic purposes.

3.10. Data analysis

Data analysis entails the processing of the collected data in order to make sense of it. The reason for data analysis is to endeavour to answer the research questions and achieve the objectives of the study (Bhattacharjee, 2012:119). In so doing, the descriptive analysis was employed, whereby the researcher processed the quantitative data in order to draw statistical descriptions of the variables that the researcher is interested in, as well as to establish the relationship between

the variables. This enabled the researcher to give descriptions, while at the same time comparing constructs numerically (Gill & Johnson, 2010: 126). Prior to analysing the data, the researcher browsed through the questionnaire to ensure that there were no omissions. This was followed by coding the responses and capturing them into the computer, so as to change the responses into numerical data. The researcher then used Excel to analyse the obtained data.

3.11. Limitations of the Study

The study used quantitative research methods and as such, there might have been some value added if a qualitative or mixed method approach was used in relation to gaining a strong academic study. There might have been some try-outs and minor human errors. Assumptions by the researcher were initially drafted and the study was focused on presenting evidence, rather than opinions.

3.12. Summary

This chapter outlined the methodology of the study undertaken by the researcher. The objective of the study was to gain an understanding on opportunities and risks associated with housing property investment in Exxaro. The participants selected for the study were employees who have benefited from the Exxaro housing scheme. These employees were selected because they have benefited from the housing scheme. The researcher utilized the quantitative method for the study, conducting a survey with the participants. Probability sampling was utilized for the study as this technique is more appropriate for quantitative research. The researcher utilized survey questionnaires for the study and they guided the participant process using a specifically designed questionnaire. The researcher used Excel to analyze the obtained data, which provided insights into the data. Chapter 4 is the presentation and analysis of the findings.

CHAPTER FOUR: PRESENTATION AND ANALYSIS OF RESULTS

4.1. Introduction

This chapter presents the results from the data compiled from the field work conducted with the Exxaro employee housing beneficiaries. Applicable thesis was identified, presented and discussed, so as to draw a comprehensive evaluation to the literature that had been reviewed in the previous chapters.

4.2. Survey participation statistics

4.2.1 Section 1: Sample demographics

The total was 36 questionnaires a representation of 100% response rate. The following section provides respondents' gender, age, organisational grade seniority and the departments to which they belonged. The total sample comprised 94% male representation and 6% female representation. This result is a good reflection of the target population pertaining to the study and therefore, any generalization would be valid because of the probability sampling technique employed.

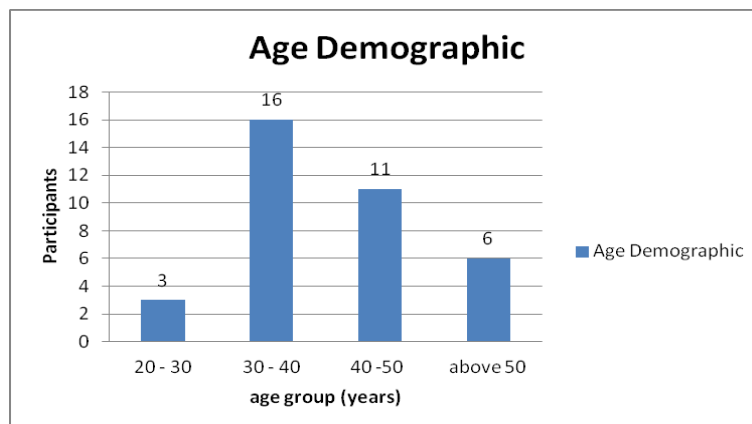


Figure 4.1 Participants' Age

Figure 4.1 indicates that the majority (44%) of respondents were in the age group 30-40 years. These are followed by those who were 40-50 years (31%). The minority was 14 and 8% and these fell under the age groups of 50+ and 20-30 years simultaneously. The data presented are a good reflection of the target population.

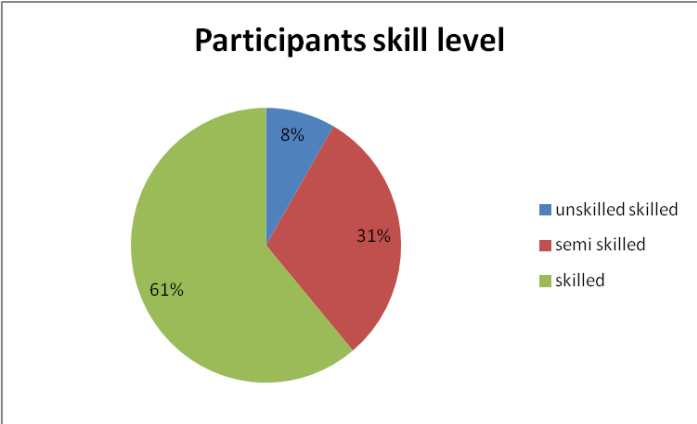


Figure 4.2 Participants' skills level

Figure 4.2 indicates that the majority of respondents belonged to the skilled category (61%). This is followed by those in the semi-skilled (31%). The unskilled category comprised 8% of the total participants. The data presented are a reflection of the target population. The results also indicate that the majority of the participants were skilled employees. This result is important since the skilled employees form part of the scarce skill category that Exxaro aims to retain within the organisation.

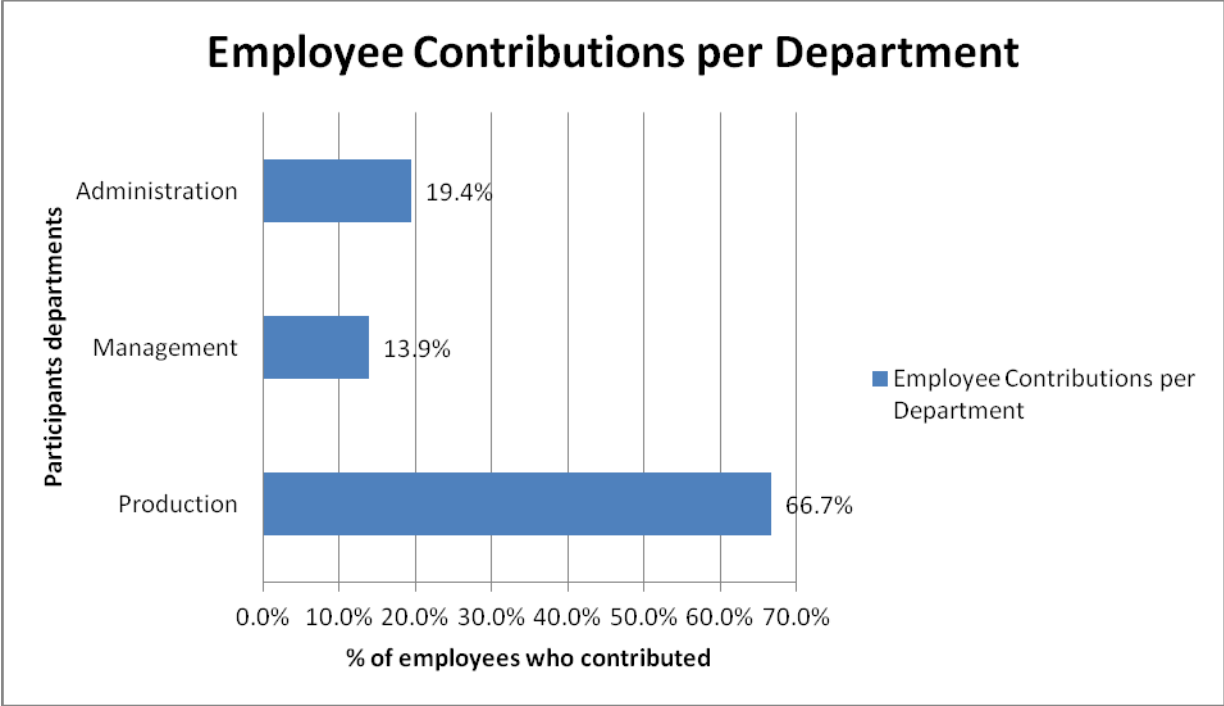


Figure 4.3 Participants according to their Department

Figure 4.3 indicates that a large proportion of respondents were from the Production department (66.7%). These were followed by those in administration (19.4%). Management employees were in the minority group 13.9%. Again, the data are a good reflection of the target population of the study, as specialist rare skill employees are in the production line.

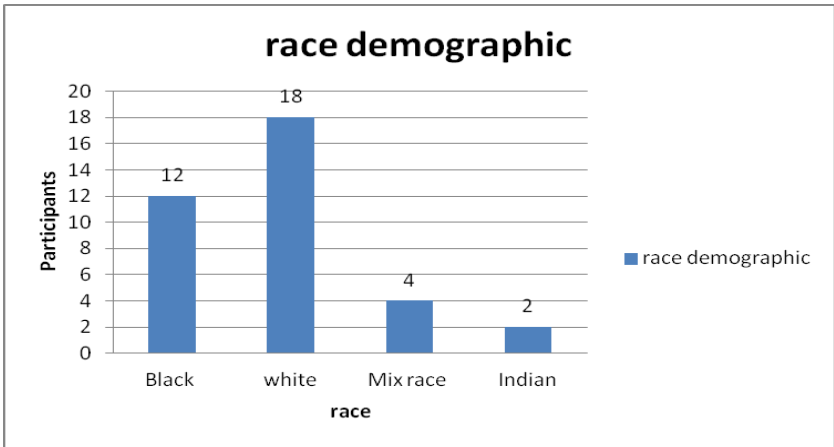


Figure 4.4 Participants' race

Figure 4.4 indicates that a large proportion of respondents were White (50%). These are followed by Blacks (33.3%). Mixed race and Indians employee constituted the minority of the whole lot at 11.1% and 5.5% respectively. Again, the data are a good reflection of the target population of the study as Whites, followed by Blacks are the majority within Exxaro.

4.2.2. Lack of property investment knowledge

The subject of lack of knowledge is linked to psychological capacity relating to property investment knowledge and comprehending the expectation of the benefit. When evaluating comments relating to the understanding of the property knowledge:

Respondent 1 rated this question 1/5 and he was one in three, that admitted to have no knowledge whatsoever and thus, not viewing the housing scheme as value adding. Respondent 22 who also gave a 1/5 rating had one of the high overall score which indicated that even with limited knowledge on the subject, he viewed the scheme as value adding. Respondent 32, the last employee who gave a rating on 1/5 was a young male who at the time of the survey possessed limited knowledge, but had plans to better his knowledge about property investment.

The area of understanding relies on two principal components, the first being ability and second, appropriate training and implementation. (Jung, 2015) mentions that since the emotional interaction between a service worker and customer will influence a customer's service experience and perception about the quality of service, it is vital that organisations keep their employees fully motivated. According to (Becker et al., 2011), the single main predicament will be the transfer of skills and information from aged retiring professionals to the next generation of work force. The research and literature have highlighted multiple considerations regarding employee housing scheme as a sole retention strategy. Benefits of the Exxaro employee housing scheme were discussed and employee perspective on the matter tabled and most employees were happy with the benefit to ensure complete employee retention strategy other strategies along with the housing benefit need to be utilized in conjunction with other strategies (Davis, 2015). Line managers must be able to record career plans with each team member, assess progress and recognise solutions for difficulties just as done for the performance management of team players.

4.3. Objective of the study

In order to realize the primary objective of the study, the primary reason for Exxaro housing property investment was employee satisfaction, when reviewed against the baseline investment decision to evaluate if the current situation is meeting the initially intended employee satisfaction levels by the scheme. In each of the secondary objectives developed, a series of sub statements were constructed from the literature review and the quantitative data collection process. The statements were then evaluated using Likert scale to establish the sample population's perception respectively (LIKERT, 1932). The following section presents each of the secondary objectives and the respective evaluation of all the sub statements making up the secondary objective.

4.4. Section 2: Exxaro Housing Employee Property Investment fit for purpose

To determine whether the Exxaro housing property investment is fit for purpose, participant's attitudes towards 20 statements were tested. The following is an account and discussion of the perception survey of the target sample:

Figure 4.5 below, presents the result of satisfaction constructs used to evaluate the target group's perception on their view that the employee housing scheme is fit for purpose. The results of the Likert scale are summarized and discussed below.

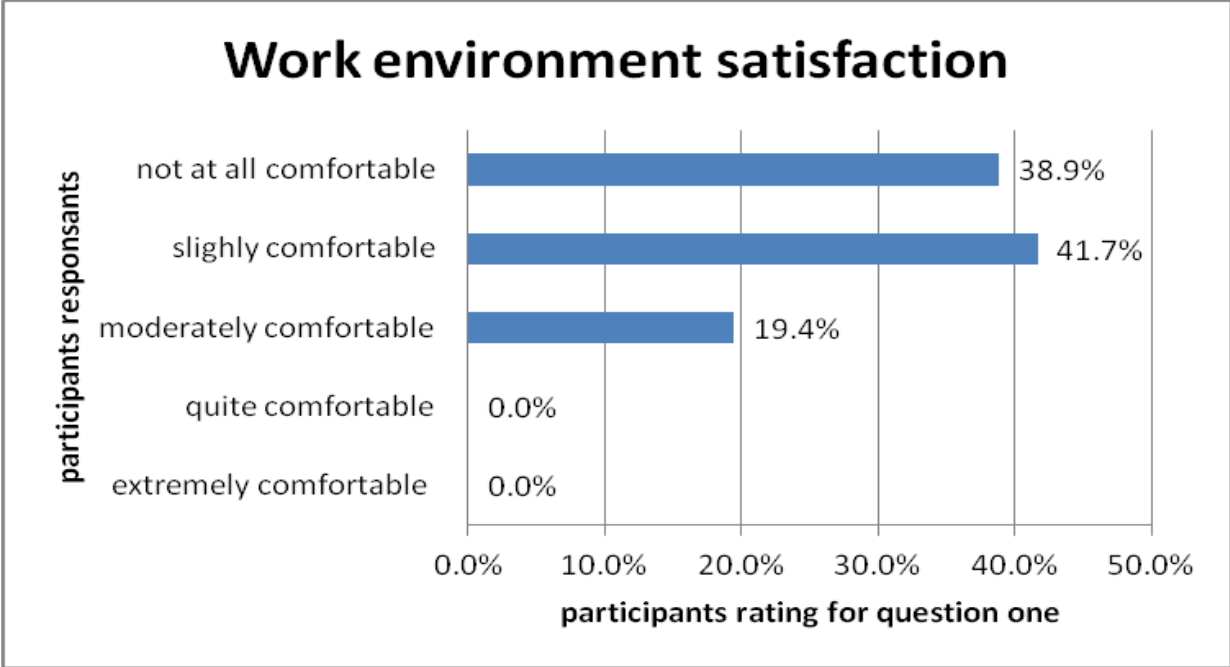


Figure 4.5a Participants' satisfaction gauge

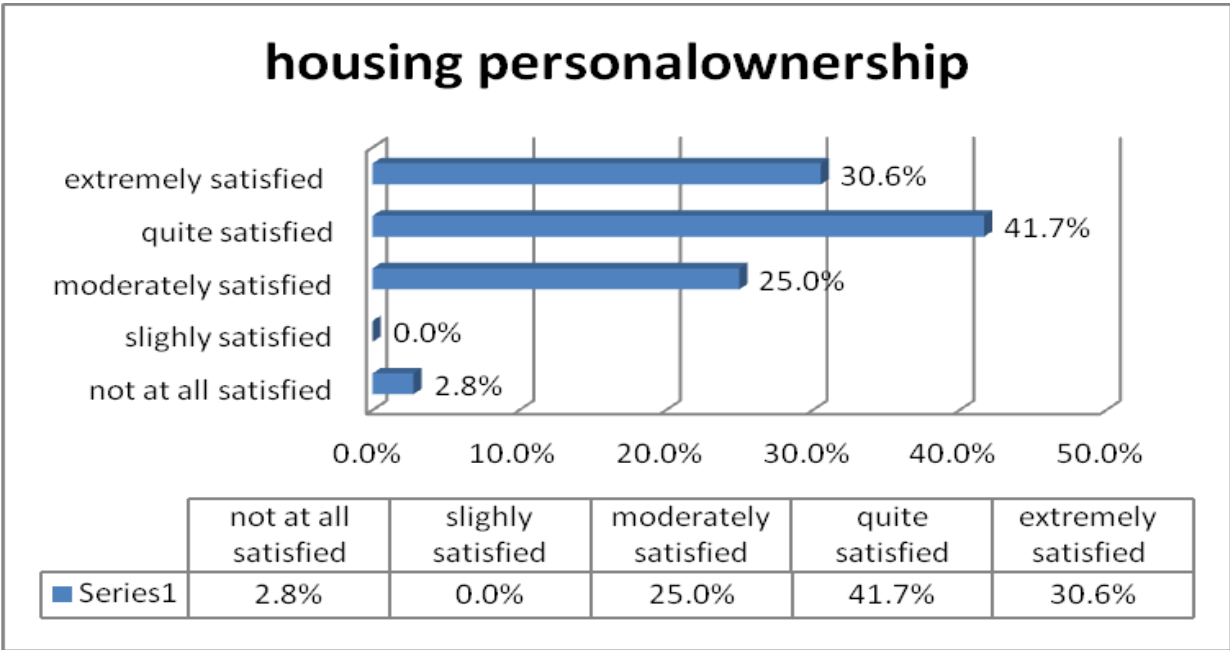


Figure 4.5b Participants' satisfaction gauge

The majority (72.3% – 80.6%) of the respondents evaluated the employee housing benefit 4/5 – 5/5 and also expressed that this enhances their employment environment, which is what Exxaro aimed at when they created the employee housing scheme. This concurred with Exxaro employee retention strategy and provides a robust and standardized methodology for effective employee management and withholding and 62% (an evaluation of 4/5 and 5/5) of the respondents indicated that because of the subsidized employee housing scheme, they were able to save money to be able to finance property acquisition from Exxaro (see fig 4.6). This reinforces that the employee housing scheme is beneficial to employees in being able to save money and Exxaro in retaining their employees. A large portion of 55% rated the Exxaro long term employment commitment question 4/5 – 5/5 which means retention strategy will be honored.

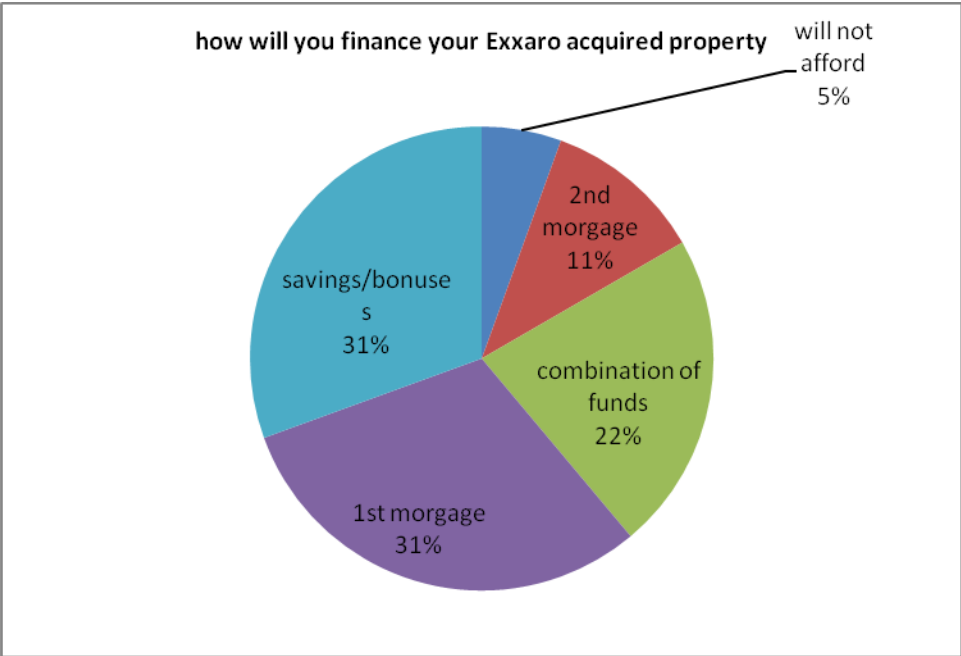


Figure 4.6a: Participants’ Property investment option

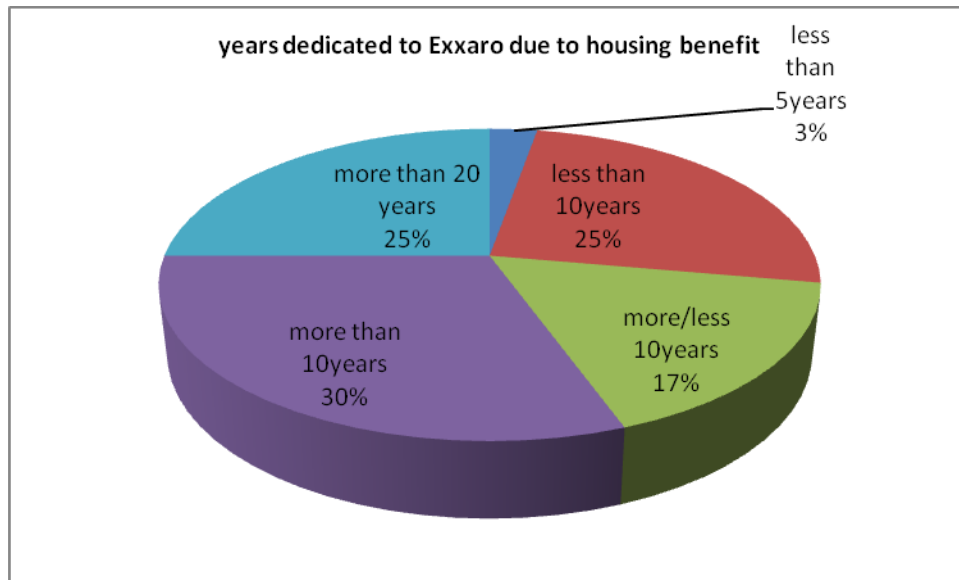


Figure 4.6b: Participants’ employee commitment due to housing satisfaction

Manganelli (2014) discusses the importance of saving for property purchase and how a minimal additional amount to property repayment cost can yield a reduced repayment term period. This study has shown that each participant has been able to save money as a result of the housing benefit, savings range from R50 000 for new participants in the scheme to about R2.5million for old members. The question of anticipated financial expenditure was posed towards employees on that without the housing property benefit from Exxaro, how much were they going to spend. They were asked to rank satisfaction levels due to this saving on their budget. Majority (38.9%) of respondents rated this question 5/5 (see fig: 4.7). Financial gain was popular amongst respondents and they exhibited highest levels of satisfaction for the saving enabled due to the housing property benefit.

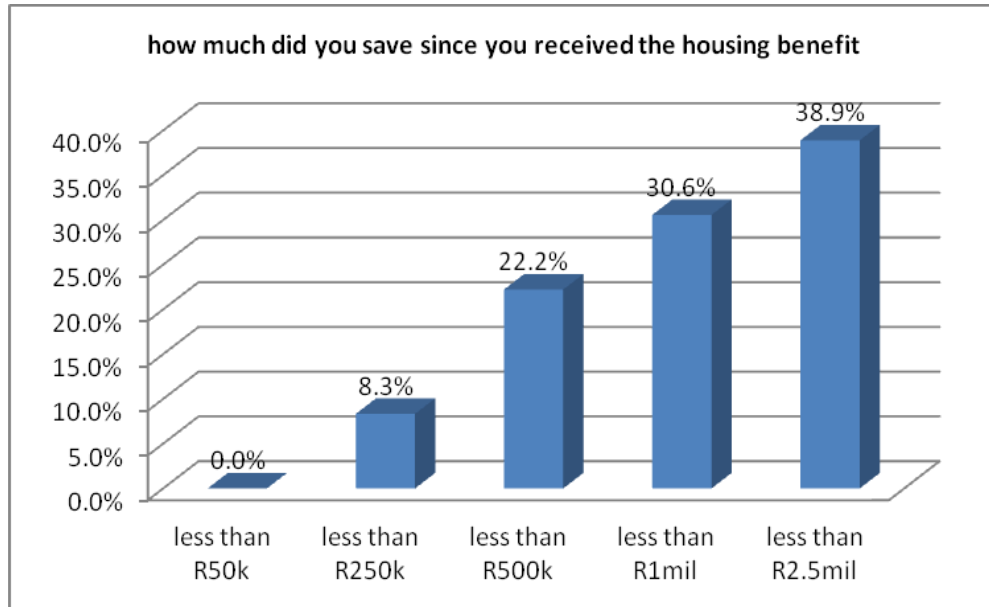


Figure 4.7: Participants pleased about the savings due to housing benefit

Gu (2015) cites managing supply of housing property to market and how investors need to be knowledgeable in the sector to ensure optimal investment transaction. This study has indicated that engagement by Exxaro to uplift employee knowledge in the sector has been dominant and they continue to engage in multiple forums to ensure their employees get adequate to enable them to invest accordingly, 81% of participants indicated that knowledge possessed in this regard is sufficient. Four out of every five (rating from 3/5 to 5/5) respondents (83%) believed that the housing properties provided by Exxaro is to the range from acceptable to finest standards.

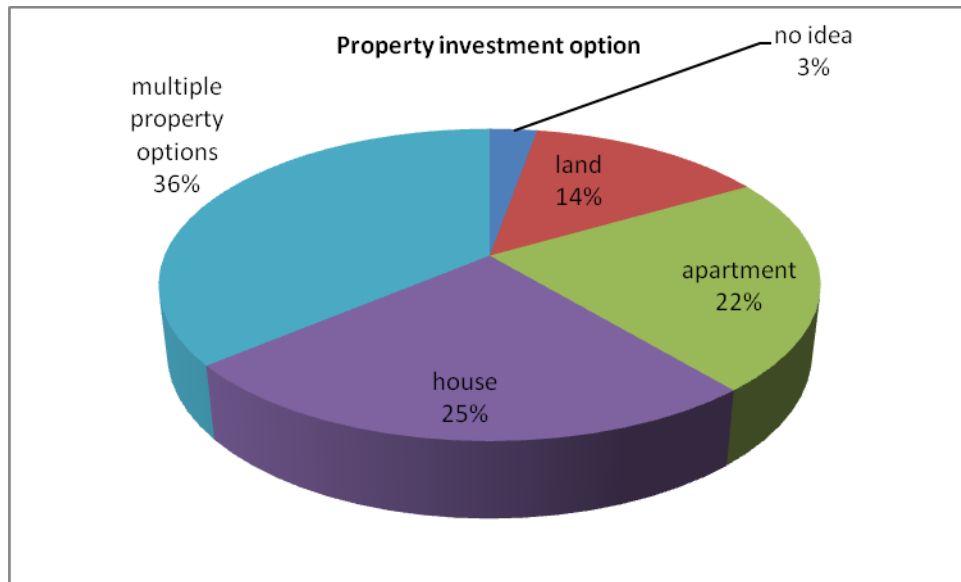


Figure 4.8: Participants' employee commitment due to housing satisfaction

Costello (2015) cites the financial element to property investment and how it is linked to property interest. This study indicated the financial element through property investment type relating to financial potential the purchaser has in property purchase this thus influences the type of acquisition. A majority of 87% of the participants aim for the more top end property investment option because of their financial potential. A considerable number of participants (83%) gave satisfaction of 3/5 and above as commitment that the housing benefits would ensure their retention within Exxaro. The balance of 17% for the other participants could not be certain that this would ensure their preservation within Exxaro. The minority did express that they would prefer other strategies in conjunction with the housing benefit to ensure they are retained.

4.4.2. Personal financing of housing by employees

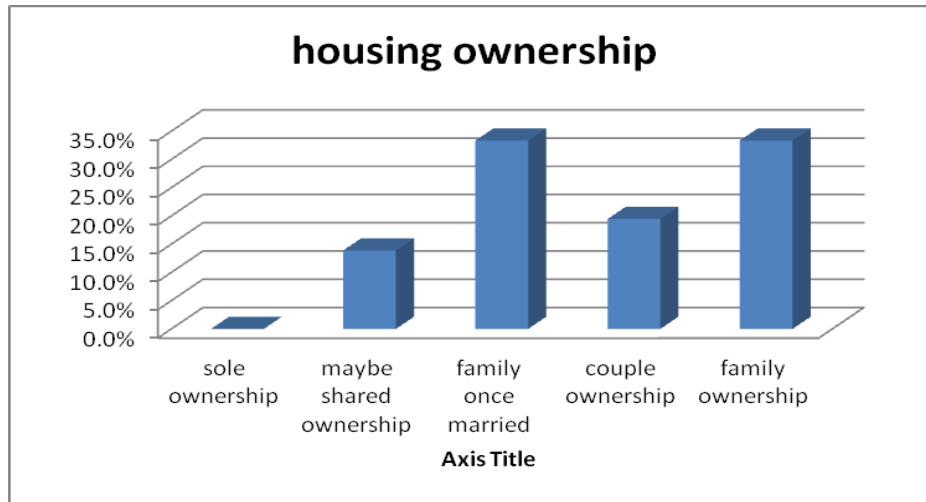


Figure 4.9: Participants who expressed that they do not depend on Exxaro for a housing property

Exxaro employee housing allocation depends on parameters like if you are a new home owner, if not, do you own property because it is aimed more at empowering those who are skilled but under privileged. The graph above (fig: 4:9) clearly highlights the high dependence of employee to Exxaro housing scheme. Only 13.9% highlighted that they are not so dependent on the scheme while the balance of 86.1% are greatly dependent.

4.4.3. Comparison between Exxaro housing scheme and that of competitors

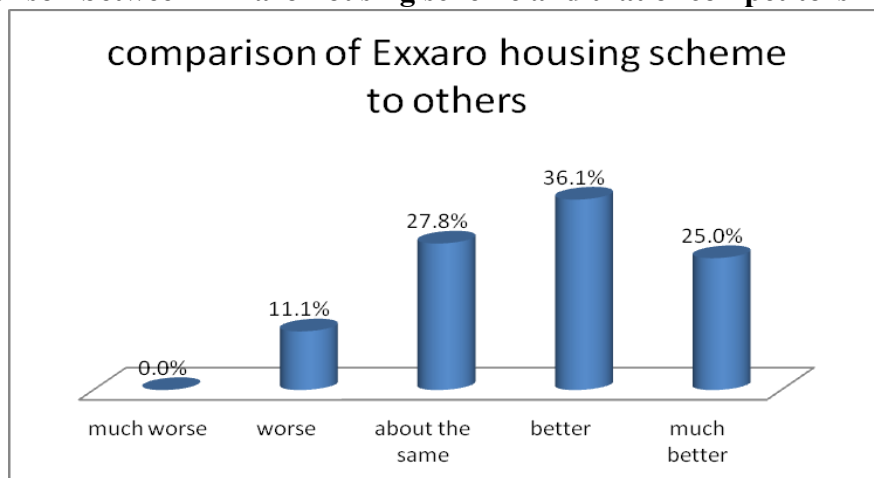


Figure 4.10: Participants were asked to compare the Exxaro housing scheme with that competitors

Okutucu (2010) cites the value in utilization of energy efficient properties in enhancing property value. The general comments given by 88.9% of participants in this study included the gratitude by Exxaro employees who have benefited with later properties developed as these were equipped with multiple energy efficient instruments like solar energy, evaporative coolers, etc. Benchmarking organizational benefits to those of competitors enables Exxaro to be able to raise its standards beyond competitors, in order to obtain a high market share in the rare skill employment market category. The graph above indicates that only 11% of participants believed that the scheme was somewhat not to the best level, when compared to rivals. The majority of the participants (89%) believed that it was at the same level or even better.

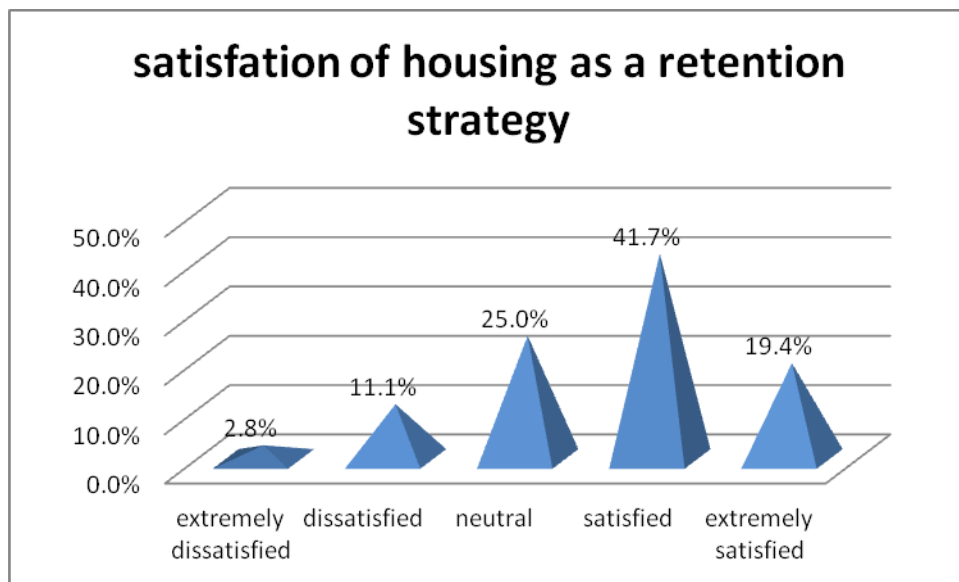


Figure 4.11: Participants were asked if the housing retention was adequate

Wong (2008) cites duration commitment on property engagement highlighting that the duration of benefit enhances the amount of time the beneficiary would retain the asset. The study similarly indicated that due to the housing benefit the employees are willing to remain with Exxaro to ensure maximum benefit on the housing scheme, about 83% of the participants were happy to stay with Exxaro for the period more than 15 years because of the housing benefit.

Though about 14% preferred retention strategies in multiple forms, 86% of participants were happy with housing as a primary retainer.

4.4.4 Further property investment by employee

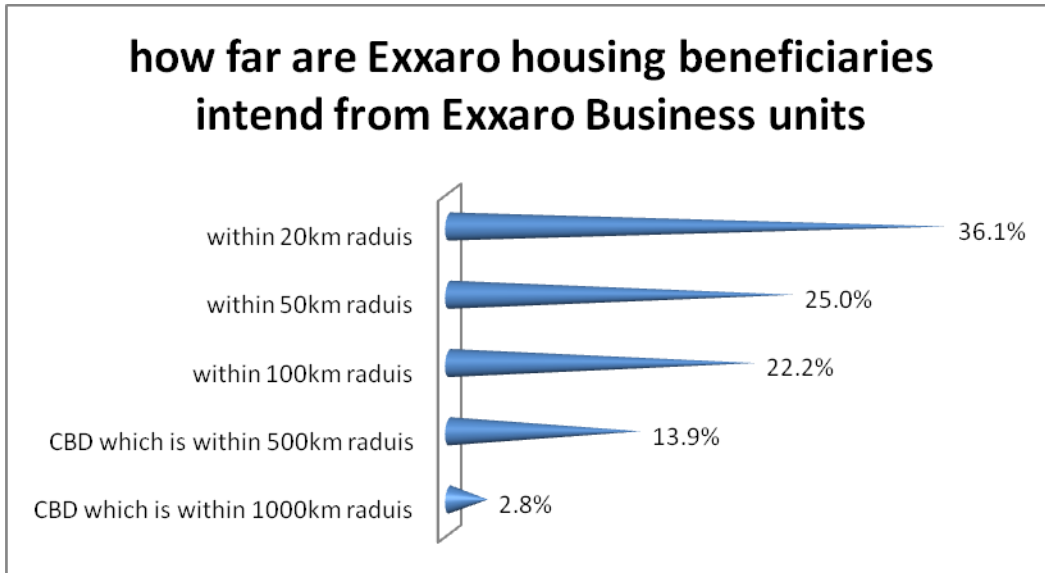


Figure 4.12: Participants were asked if they were looking to invest near Exxaro business units

Çinar (2014) suggest that property investment price is linked to location in relation to major areas. Exxaro operates in route areas alongside other major businesses within its areas of operation these include Eskom, Transnet, etc. This study has thus confirmed that Exxaro employees are interested at investing around Exxaro BU's, about 83% of participants indicated that they are interested in investing in property closer to Exxaro business operation. To analyze individuals' thinking patterns, there is a need to study their behavior and thus, the participants were asked if they are currently or looking at further investment in Exxaro mining areas. About 17% of participants indicated that they do not have any intention of investing in and around Exxaro mining areas, while a majority of about 83% indicated that they currently own, or are intending on owning a certain type of investment which would be a disadvantage if they would have to leave Exxaro mining areas.

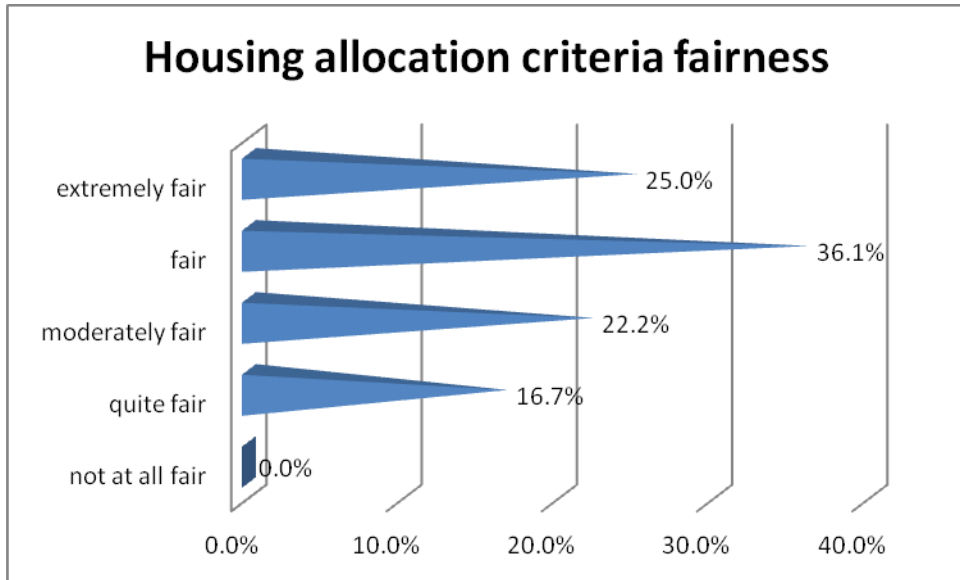


Figure 4.13: Participants were asked about the fairness of the allocation system of the scheme

A minority of 16.7% indicated that the scheme was not totally allocated fairly from their past experience, or from the information they obtained from their co-workers. The majority of 83.3% participants were very satisfied with the allocation system of the housing scheme.

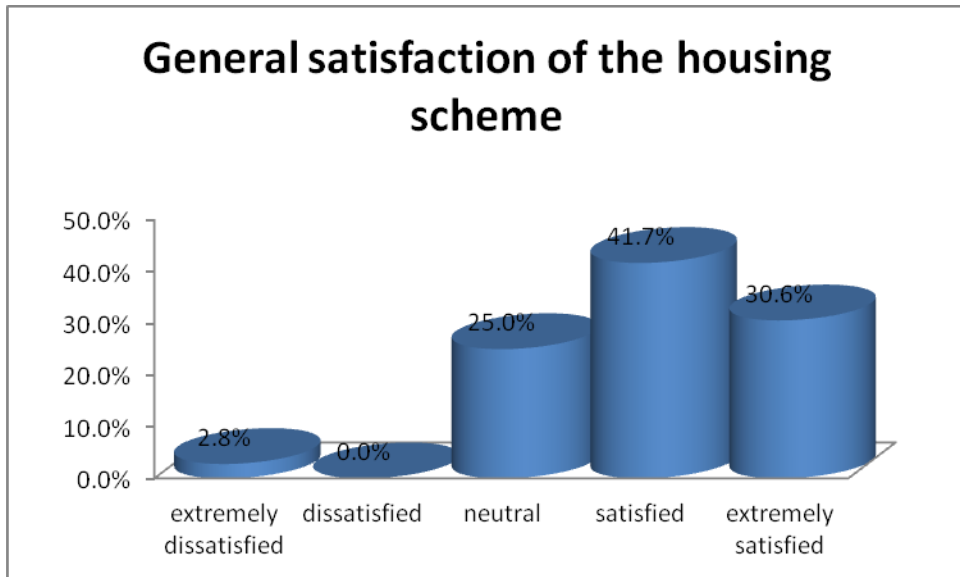


Figure 4.14: Participants satisfaction question posed more than once to gauge consistency of answers

Similarly, like before, the answers provided before to assess the overall satisfaction of the housing scheme were more or less the same. A minority of 5.6% were not so satisfied, while more than 90% were happy about it.

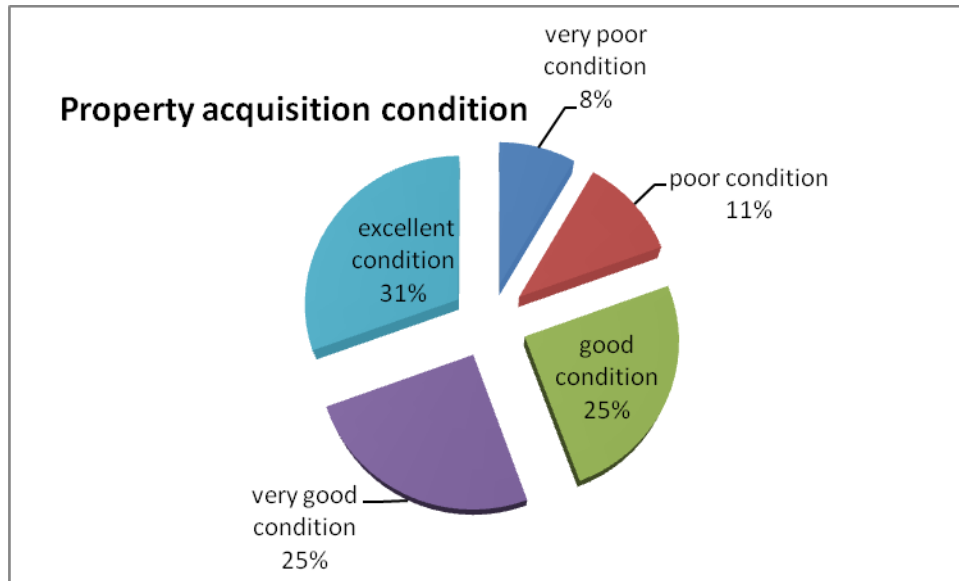


Figure 4.15: Participants satisfaction of the state of the property upon acquisition

Adegoke (2014) cites that property condition is most important to ensure maximum value gain in property investment transaction. According to this study 81% of participants were very satisfied with the condition of Exxaro properties. The minority of 19% expressed complains about cleanliness and condition state when they moved, but were later happy about the ongoing and maintenance of the Exxaro property management team.

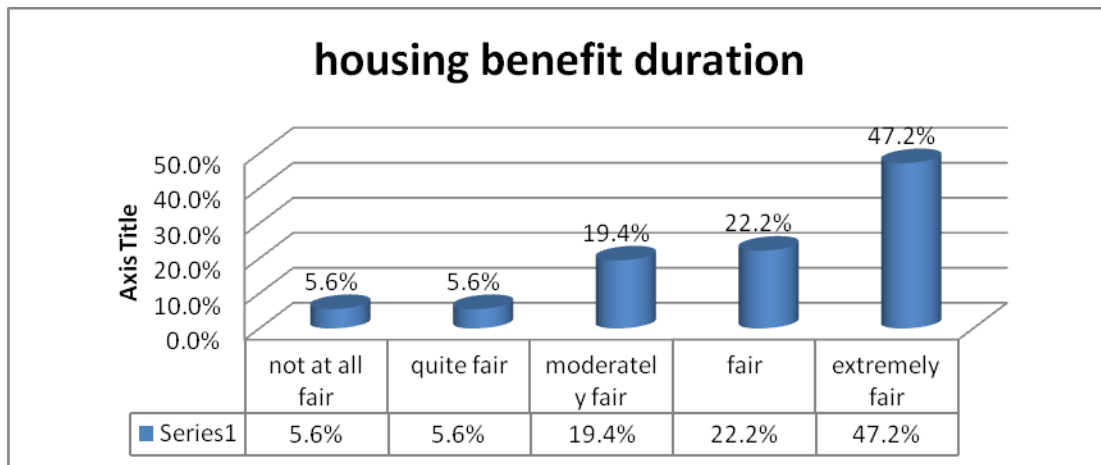


Figure 4.16: Participants satisfaction of the duration of the benefit

The first-time home owners' subsidy benefit lasts for five years and reduces annually, so complains were on that, not on the subsidized rental or reduced property disposal amount. About 12% were unsatisfied with the property benefit duration.

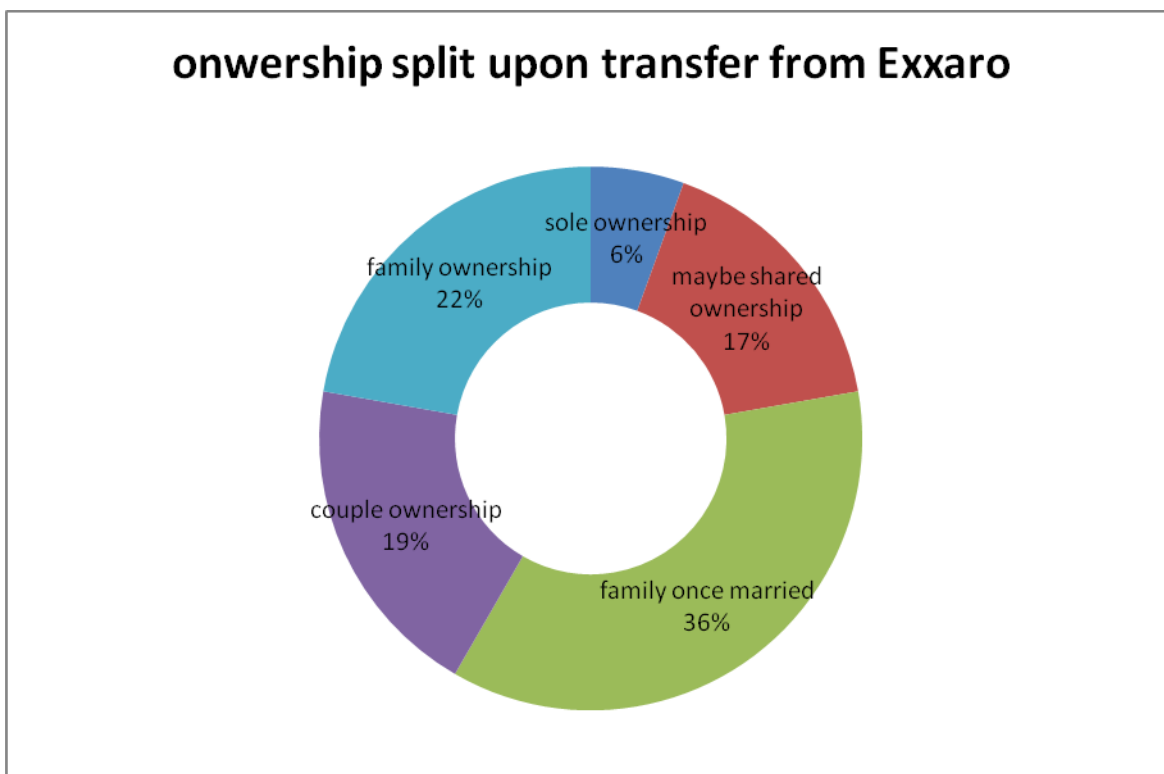


Figure 4.17: Participants' satisfaction with the opportunity to own the property at later stages was assessed

Family orientated decision enables employees to share benefit with their loved ones and when employee satisfaction levels are high at the work place, it is almost inevitable that they will not change Exxaro as an employer of choice. Figure 4.17 above 77% shows that participants are very much family oriented and they expressed that they would be going for shared asset ownership.

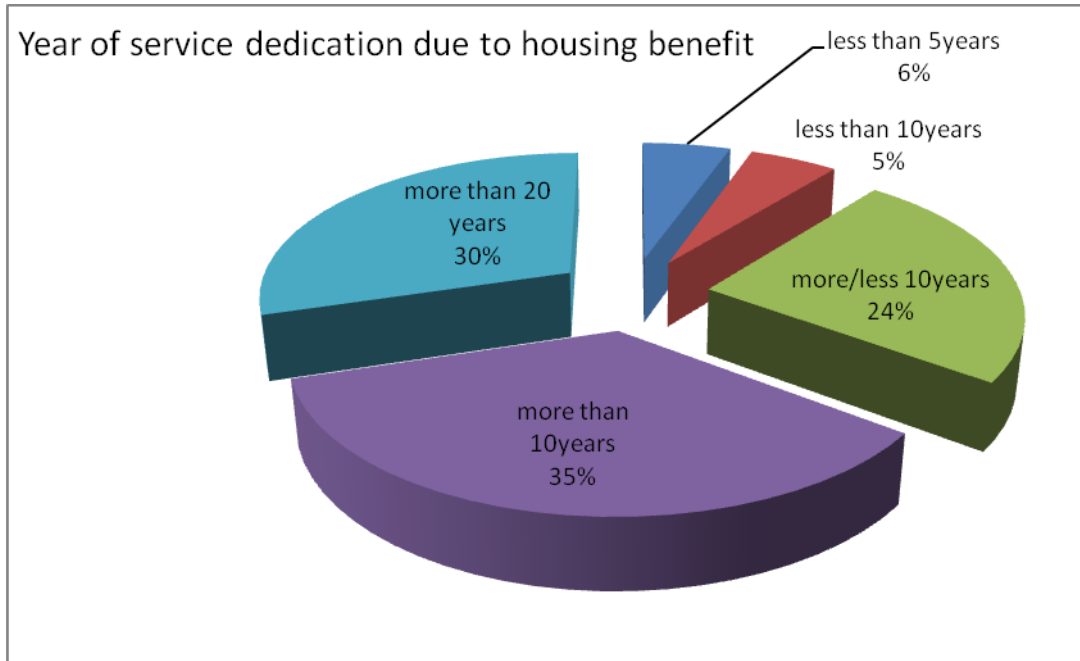


Figure 4.18: Participants satisfaction was also gauged through the intended years an employee would spend with Exxaro because of the housing benefit

Figure 4.18 above indicates that only 11% of the employees did not intend on being with Exxaro for a longer term, even with the property benefit. 89% indicated that they were very satisfied and intended on having a long-term relationship with Exxaro.

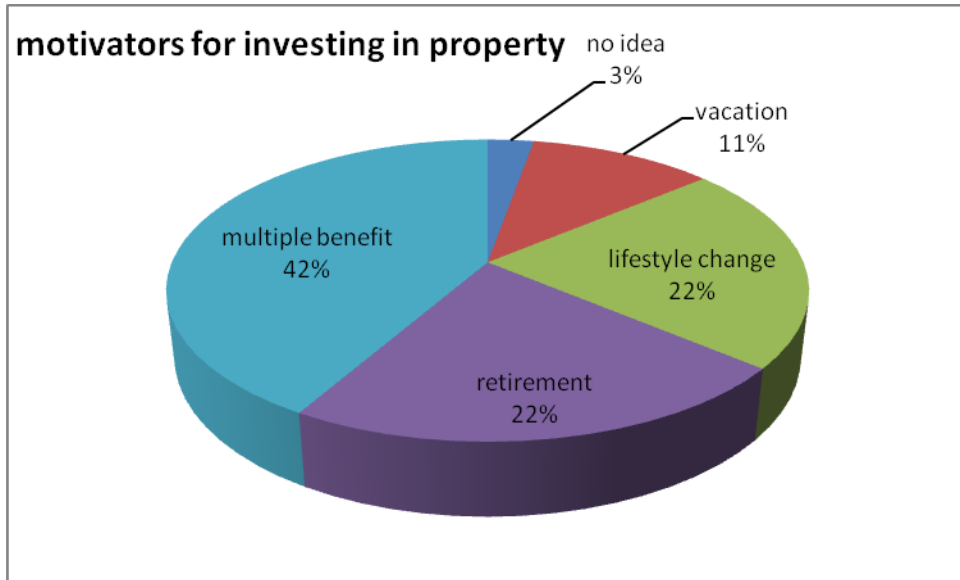


Figure 4.19: Participants’ satisfaction was also assessed on the motivation of investing further in property

Housing property investment is one instrument to enhance wealth, but Exxaro, over and above providing the benefit to their employees, has also given them multiple training opportunities for them to understand the benefit, as well as to be able to embark upon further investment if interested. Figure 4.19 above indicate that only 14% of the participants were not interested in a further investment in this regard, while a majority of 86% showed interest and did intend on spending further.

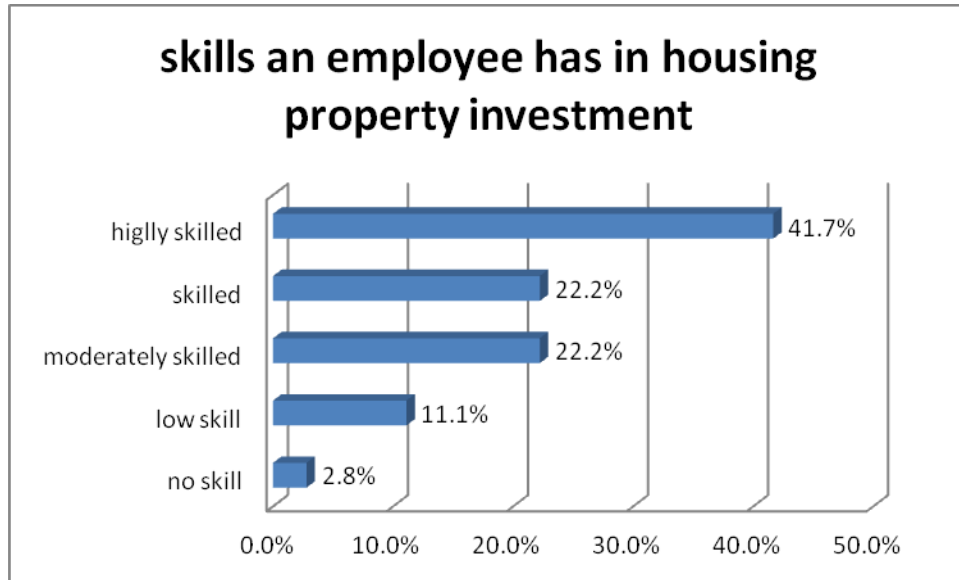


Figure 4.20: Participants’ satisfaction was also assessed in terms of skills development in property investment

Lorenz (2011) highlights motivators for investing in property, and emphasizes those with knowledge and the how can evaluate property investment and go for best option. This study revealed that about 86% had some form of knowledge about property investment and were motivated to investing in the property investment sector. Figure 4.20 above shows a minimal of about 14% of participants who did not express gratitude for the information gained, while a majority of about 86% was very excited about the skills development.

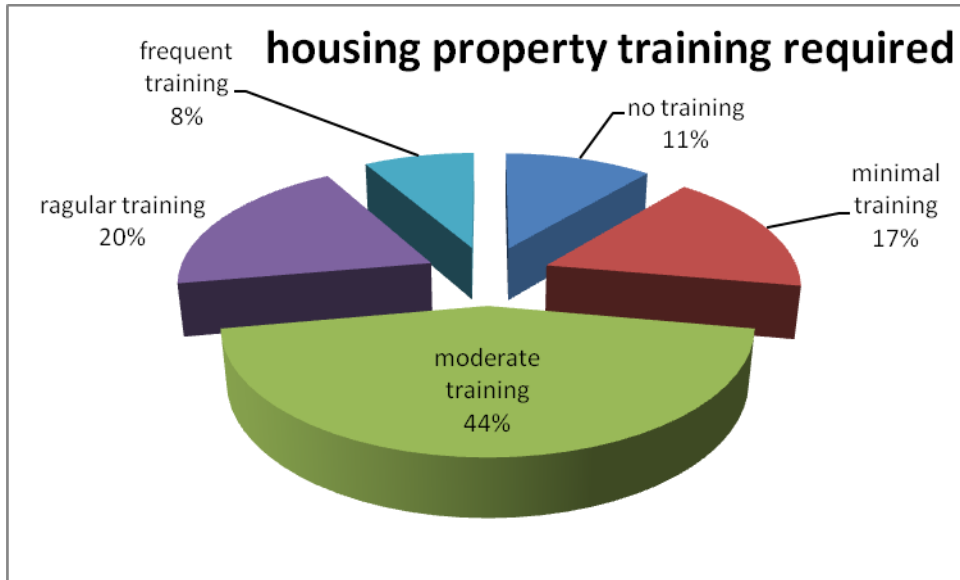


Figure 4.21: Participants were also afforded a platform to propose certain property investment training required

Figure 4.21 above indicates that about 28% of the participants were happy about knowledge gained and did not see a need for further investment in this regard. The majority (72% of participants) highlighted that ongoing training would be required.

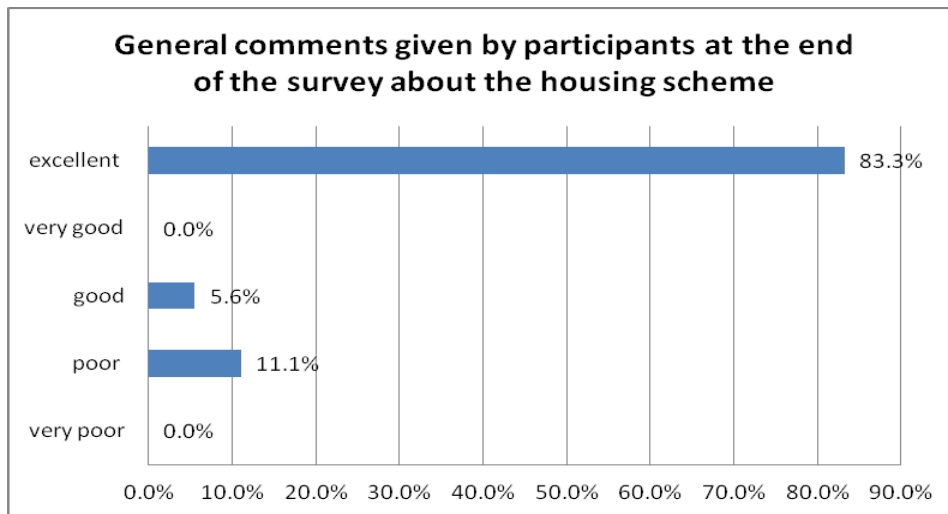


Figure 4.22: Participants were also afforded a platform to give general comments at the end of the survey

Comments about the benefit were positive in general, with a majority of 83.3% giving a rating of 5/5 for the scheme and also very positive feedback see figure 4.22 above.

Below is the score and responses analysis criteria.

- 1 - 2: Housing benefit not fulfilling the employee retention strategy
- 3: Housing retention requires other strategies to ensure employee retention for Exxaro
- 4 - 5: Housing benefit is perfectly fulfilling its intended purpose and further real estate investment by Exxaro would attract more potential employees and retain current employee.

4.5. Roles and Responsibilities

The Exxaro executive committee approved and provided funds to execute the outlined employee housing project scope. Further to that, the Exxaro corporate housing steering committee prescribed principles and guidelines so that the housing project complies with the Exxaro housing policy. (Allio, 2015) cites that strategy and leadership promotes successful, quick strategic decision making in sequence and knowledge has to be distributed throughout a company, which means the role of the leader is deteriorating and that leadership has modest utility as an organizing standard. The housing steering committee comprises the owners' team and that includes the mine manager, char plant manager and the general manager. The function of the steering committee is to monitor employee housing project progress and ensure Exxaro is satisfied with service provided by the employee housing project team. The committee also provides an opportunity to resolving problems affecting the employee housing project, for taking strategic, cross-functional decisions and to remove obstacles affecting the project.

4.6. Validity and reliability

Validity is the extent to which the measure represents that which it is meant to measure. In the same way, Saunders and Rojon (2014: 4) noted the validity of a research method when the procedure employed has correctly measured what it is meant to measure, as well as when the data analysis is in line or appropriate for the collected data and the results. External validity refers to the degree to which the findings of a study can be generalised or transferred, while internal validity refers to the precision with which the researcher conducted the study, for instance, the research design. Validity in quantitative research concerns the relationship between the data and the concept, the findings and the conclusion, the actuality and the representation; in other words, rationality is the other name for acceptable social knowledge. The fact that the researcher had the questionnaire reviewed and pilot tested ensured its validity.

Reliability refers to the degree to which a methodological procedure can be repeated and yield the same results. It is about producing consistent results. Bhattacharjee (2012:56) defines reliability as the extent to which amount of a variable is dependable or consistent. The data for the study was gathered from Exxaro housing scheme beneficiaries who gave their opinions on the opportunities and risks associated with housing property investment in Exxaro. The opinions were given by Exxaro housing beneficiaries so the researcher deemed that as taken from reliable sources which would be relevant to the objectives of the study and hence, as consistent and valid as possible.

4.7. Summary

The study revealed that most Exxaro employees did not own their own properties and thus, relied on Exxaro to provide them with housing. The employees did not opt to purchase houses in mining areas as they could not guarantee life span of mines and/or security of their jobs. Most of the employees preferred free standing houses, however, Exxaro made allowance for diversification in their housing portfolio. In that regard, the junior housing beneficiaries were

allocated apartments and the higher the ranking within the organisation were allocated the bigger the housing property benefit. Exxaro affords its employees a chance to own the housing property, if the employee has occupied the property for ten years or more. The Exxaro housing scheme affords all employees a chance for them to own a housing property (any race, any gender, any age, any experience within Exxaro, etc). Exxaro does not prioritize contract employees when it comes to housing, only permanent employees get first priority and this does affect contract employees' satisfaction level.

This chapter outlined the research results of the study undertaken by the researcher. The objective of the study was to gain an understanding on opportunities and risks associated with housing property investment in Exxaro. The participants selected for the study were employees who have benefited from the Exxaro housing scheme. These employees were selected because they have benefited from the housing scheme. The researcher utilized the quantitative method for the study, conducting a survey with the participants. Probability sampling was utilized for the study as this technique is more appropriate for quantitative research. The researcher utilized survey questionnaires for the study and they guided the participant process using a specifically designed questionnaire. The researcher used Excel to analyze the obtained data, which provided insights into the data. This Chapter thus presented an analysis of the findings as shown above.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This research has investigated the parameters around the Exxaro employee housing scheme, with reference to employee home ownership aspects. This chapter will serve as a conclusion to the research topic and create a sequence of solutions to the research questions. Discussion on the challenges and advantages of the Exxaro employee housing scheme will also conclude the chapter. Thesis recommendations can assist competitors improve their employee housing strategy in order to ensure they are able to recruit and retain the best and rare skill employees for their businesses. This section then concludes by giving recommendations for future research topics.

5.2. Summary of findings

The results obtained through this research study have proven the benefits of Exxaro utilizing the housing strategy as employee housing retention strategy. The research has over and above highlighted the utilization of other strategies in conjunction with the housing strategy to ensure maximum rare skills employee recruitment and retention. The research outputs demonstrate that there is enough proof that utilizing the employee housing scheme can serve as an organisation game changer for competitiveness. Property location was seen as a major driver in the property acquisition process. The short duration that most individuals reside in mining environments are linked to being comfortable at their residence so with the improved Exxaro housing properties, employees were able to be comfortable even if they were many kilometers away from their places of origin. The major reasons why Exxaro competitors are unable to acquire rare skill employees like Exxaro are due to the fact that their housing policy is either poor or non-existent. Employee property investment knowledge is usually the issue, when it comes to them investing in employee property. The research study highlighted that Exxaro ensures that its employee housing selection criteria is biased to an employee with most experience, the skills and

qualifications that they possess. High performing employees are also offered priority when it comes to the housing benefits, this in turn enables the organisation to ensure continued profits gains.

Most employees who appreciated the housing benefit lack the property investment skill hence, the gratitude for the Exxaro housing scheme benefit. Connected to poor property investment skill is the financial planning aspect, which was found similar in these Exxaro employees. These are also the consequences of these employees being unable to self-invest in property. Part of the reasons Exxaro decided to provide housing property to its employees was because they would be able to attract rare skill employees to remote mining areas. The research will create awareness and enable these individuals to start investing in property.

5.3. Conclusions based on the findings

The conditions around this topic were the huge price hike that flourished the property market around the mid-2000s and how this can be utilized by organisations in gaining a competitive edge. The researcher decided to explore and gain an understanding of why Exxaro managed to recruit and retain the best employees. The discussion in the previous chapters evidently showed that Exxaro gained competitive edge in the market space in which it operates. The diverse results for Exxaro employees being satisfied with the organisations housing strategy were linked to a number of benefits the organisations has afforded its employees, but the housing strategy has predominantly enabled Exxaro to stand out. Exxaro employees that have benefited from the housing scheme do not usually purchase their own housing properties, but they rely on Exxaro to sell them a housing property.

The findings of the study also indicated that property investment knowledge is lacking in most Exxaro employees and Exxaro has thus taken it upon itself to provide some of an opportunity for the employees to purchase their own rental property over an extended rental period. So, in answering the first research question, employees do perceive the Exxaro housing benefit a stimulating factor to their employment arrangement. To the second research question, a portion

of the housing repayment ranges from 30 – 50% of net salary of an average employee, so housing becomes a stimulating factor if employees are offered housing property by employer.

5.4. Recommendations

The investigation pointed to a range of possible ideas which have the prospective to enhance the employer employee relationship. The researcher thus recommends the following:-

- a) Exxaro can also focus on investing on property investment courses and seminars for its employees to leverage independent property investment. This would in turn assist the organisation to be able to reinvest some of its profits in business operation, other than in the employee housing scheme.
- b) Employee guidance centre to assist with financial planning and mentorship on responsible spending.
- c) Mining sector socio economic development should also aim at enabling mining communities an opportunity to be self-profitable. This would ensure sustainable growth for South Africa and also allow mining communities to continue post mine closure. This would also encourage and attract possible investors to invest in these mining towns.

5.5. Limitations of the Study

Research has restrictions and in this investigation, the researcher had to deal with the following restrictions:

1. The quality of the study is reliant on the personal ability of the researcher and his individuality biases. To improve the study, the researcher incorporated other research methods so as to enhance the proficiency of the researcher, as well as the research output. The student utilized MS office excel for data manipulation and analysis programming. This assisted in dealing with large data volumes and to create meaningful analysis.

2. The researcher was present during data collection and this possibly affected participants' responses. The researcher spoke with each participant during data collection in order to take notes this also made the participants relaxed and "free" to give honest opinion.
3. To explain the data collected, the researcher used graphs and in depth explanations of the field work representation to ensure the field study results were communicated in a manner that was honest and meaningful.

An important observation is that the results could be subjected to an element of self-biasness since the participants are knowledgeable and can sabotage the research to influence their intended outcome of the study due to either making Exxaro seem as an employer of choice or vice versa.

5.6. Areas for future research

This investigation focused on opportunities and risks associated with property investment in Exxaro. This is just one aspect which relates to property investment. The proposal for future studies are:

- a) Property investment is in multiple sectors e.g. office blocks, farms, land, business complexes, etc. PESTEL analysis rule as discussed above could be utilized to ensure efficient property investment.
- b) The research could be conducted from the employer perspective (Exxaro).
- c) Another interesting study could be the evaluation of level other mining houses invest in their employee housing scheme
- d) The length of the employment and commitment of employees upon receiving the benefit from Exxaro

- e) The evaluation of number of employees who would leave their jobs if the housing scheme benefit was removed

5.7. Concluding remarks

Housing property investment is one of Exxaro's rare/high skill employee's attraction methods. Value in general can be maximised by eliminating waste or minimizing it to its lowest point possible (to its optimum point). The benefits that relate to strategies that are utilized in conjunction with salary/remuneration structures are vital in gaining a competitive advantage, recruiting and retaining rare skill employees. Employees are drivers of organisations, so, without them, there is basically no business that can be in operation thus, it is vital for organisation to treat their key employees as valuable resources for business operation.

This research was conducted on the employee's perspective of the housing benefit received from Exxaro and it further evaluated opportunities and risks that relates to this investment. The field work highlighted the views of participants about the housing scheme and the overall general feedback was that they are satisfied with the Exxaro housing scheme. This then serves as the response to the research questions posed at the beginning of this research study. This study forms part of other research studies that have been conducted to evaluate the benefit and value of property investment. This research study can therefore be considered successful as the results obtained conform to all the other studies in the same subject of property investment. The thesis problem has therefore been resolved, as the findings reveal mostly advantages in providing sustainable employee housing scheme. All the results were outlined in detail in the preceding chapters and highlighting the findings later in this chapter.

5.8. Summary

This chapter concludes the conclusion of the research undertaken by the researcher. The objective of the study was to gain an understanding on opportunities and risks associated with housing property investment in Exxaro. The participants selected for the study were employees

who have benefited from the Exxaro housing scheme. These employees were selected because they have benefited from the housing scheme. The researcher utilized the quantitative method for the study, conducting a survey with the participants. Probability sampling was utilized for the study as this technique is more appropriate for quantitative research.

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