Thriving against the odds: A success story of a township building contractor

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Accepted 28 December, 2011

A case study on a thriving small building contractor was undertaken in the Gauteng Province of South Africa. The objective of the study was to determine the social responsibility approaches used by the contractor to survive and thrive when many similar businesses struggle to do the same. A qualitative single case-study was conducted. Face-to-face interviews were conducted with the respondent who is the owner-manager of the construction company. The findings were that incorporating social responsibility initiatives had many spin-offs for the business. These spin-offs included acceleration of aggressive marketing without huge investments, created a brand for the business and provided company market differentiation. Recommendations were that businesses that did not engage in social responsibility should start to relook at social responsibility with positive aspects in mind, and to use marketing initiatives as a motive for engaging in social responsibility.

Key words: Building contractor, small business, social responsibility, township.

INTRODUCTION

Can anything good emerge from a township? Can anyone sow in a desert and expect flourishing crops? Who said your business cannot thrive in the midst of economic uncertainties? This is a success story of Mr X, a township building contractor who emerged from humble beginnings in the Mabopane Township, Gauteng Province, South Africa.

Contributions and development of small, medium and micro- enterprises (SMMEs) to the economy introduced this success story. A historical background to small business development in South Africa followed with a view to put the case study in perspective.

Thriving SMMEs is what many economies of the world aspire for. This is due to contributions that this sector makes to the economy. These contributions include economic development, job creation and employment; promotion of entrepreneurship and social stability (Banhegyi et al., 2009).

A number of SMME development initiatives have been started to enable SMMEs to thrive in South Africa. Some of these initiatives include the National Small Business Amendment Act of 2004, the Small Enterprise Development Agency in 2004 and the establishment of Khula Enterprise Finance Limited in 1996.

South Africa was, before 1990, characterised by conflict which entailed exclusion of some population groups (blacks, Indians and Coloureds) from political and economic participation. A number of laws and by-laws enabled white businesses to be on a higher par than black ones in terms of resources and the market. Whites were not restricted against operating in black areas while blacks could not by law; operate in white areas in their own capacity as blacks or black companies (Banhegyi et al., 2009; Hetherington, 1994).

As a result, when political change started that sought to reverse the imbalances of the past, blacks were still lagging behind in terms of level of sophistication, advancement, resources and finances, among others. There were very few business operators among the black communities.

During the early years of democracy, a number of
SMMEs emerged in townships to contest against established building contractors from cities who had been allowed to operate because of past apartheid privileges. Their emergence did not place them on the same level as the existing white ones at the time. It was easy to have confidence in the white companies because they were able to assist clients to apply for finance and obtain it compared to the new black ones at the time. White-owned companies completed the building projects much quicker than their black counterparts. Furthermore, the workmanship on buildings constructed by blacks was in many cases, evident to be substandard. The other problem was that black building contractors in those days did not respond to calls when their work showed errors.

According to speculation, black building contractors lacked tact in showing appreciation for clients who asked them for service in the first place. They only showed interest in getting a share of the market and then making profit without realising the need to enhance an increase in the future market. In terms of professionalism and capability in the business, many black SMMEs did not impress the township market better than the white ones. Further, the conduct of black SMMEs in building construction did not generally provide indications of caring while the white counterparts, even though they did not show to care that much, outshone the blacks in terms of professionalism and workmanship. As a result, some black SMMEs could make huge profit with one project and could not attract the next ones, and ended up collapsing and leaving business.

**Objective of the study**

The objective of the study was to determine the approaches used by this contractor (Mr X) to survive and seemingly thrive. The small building construction on which the case study is based was established during the time when SMMEs in townships were losing business to city contractors due to relative inadequacies and deficiencies identified by the township customers. This building contractor seemed to have defied the odds by starting small, surviving and becoming a leader in construction business, operating even outside the Gauteng and North-West Provinces that were initially the locations of company operation.

**Small business**

A small business is a business that is privately owned and operated, with a small number of employees and relatively low volume of sales, which would normally be privately owned corporations, partnerships, or sole proprietorships (Longenecker et al., 2008: 298). The legal definition of "small" varies by country and by industry, but in this article it generally refers to companies having fewer than 50 employees.

**Social responsibility**

Social responsibility in this article refers to a voluntary code of conduct by a party that is able to contribute to the well-being of other parties or to the improvement of lives in general. It is a universal concept, and the formal definition appears subsequently in this article.

**Township**

‘Township’ is a historical term, which was an area of more advancement than villages or rural areas. In South Africa, the term township (as well as location) usually refers to the (often underdeveloped) urban living areas that, from the late 19th Century until the end of Apartheid, were reserved for non-whites (principally black Africans and Coloureds, but also working-class Indians) (Pettman, 1913). Townships were usually built on the periphery of towns and cities. The term township also has a distinct legal meaning, in South Africa's system of land title that carries no racial connotations.

**What constitutes growing thriving businesses**

All business-owners desire to have growing and thriving businesses. Only few of them however, achieve this goal. Reasons for lack of growth and success rate amongst businesses could be attributed to management deficiencies. These deficiencies include management incompetence, poor leadership and managerial inexperience (Badenhorst et al., 2006). In their evaluation of management deficiencies, Chua and Lam (2005) concluded that management deficiencies will continue to cause business failure and other inadequacies “if the real causes of a problem are not identified, then the firm is merely addressing the symptoms and the problem will continue to exist.”

Recent studies (Gronroos, 1994; Moncrieff, 1999; Mulcaster, 2009) suggest that success and sustainability of business does not only depend on the management competence, good leadership and management experience. Global economies are starting to incorporate social aspects in managing and sustaining their businesses (Henderson, 2005; Idemudia, 2008; Newell and Frynas, 2007). These social aspects are intended to benefit societies; hence the term social responsibility is commonly used in many companies today.

Social responsibility is a beneficial practice that is based on an ethical ideology or theory that an entity, be it an organisation or individual, has an obligation to operate to benefit society at large (Pride et al., 2008). This responsibility can be allowed to be passive in order to avoid engaging in socially harmful acts, or active, which is the more common of the two, by consciously engaging in activities that directly advance social goals. A business entity can utilise ethical decision-making to secure their
businesses by making decisions that allow for authori-
tative agencies to minimize their constant check on it. This shows that social responsibility is an idea that corporations should contribute wealth or resources solely dedicated to the improvement of society as a whole.

**RESEARCH METHODS**

The research methods used in this study are discussed. Physical observation of a specific building contractor attracted the researchers to target him for research. The observation of this thriving business included the building contractor’s reputation in the community, the quality of his building projects, the asset base and the growth of his business in terms of number of building projects and employees in different provinces.

A request was extended to conduct an interview with this building contractor, a research instrument was prepared and a research approach was designed for the interview.

**Research request**

The researchers requested to do research on this building contractor with a view to know more about the approaches he uses that led him to be such an esteemed businessman in the township. Upon approaching him, the researchers told him that he sounded different to other similar building contractors in the township, and requested to explore it further. Due to long hours of work and lack of disposable time, he was not prepared to give away time for the study. However, he saw it as a possibility to advise, or be an example to be emulated for future entrepreneurs. Then he agreed, but on his own stipulated conditions. He then offered to provide information provided the conditions were met. An appointment was made and the conditions were given. The conditions stated were:

i. The company and his own name/identity would never be revealed;
ii. The work, if published in the local newspapers, must be verified by him to ensure that it does not become clear that it was his company being referred to;
iii. The work produced is not for financial gain, and will be used mainly for research in SMMEs’

Upon being granted the permission to interview him, a case study with one-size sample was conducted. This sample was a township SMME building contractor in Mabopane Township, north-west of Pretoria in the Gauteng Province.

**Instrument**

The questions were simply written on a small booklet/writing pad, which was the first tool the researchers had. The respondent also used a small scribbler explaining a few issues and other things of interest to his work, which were not necessarily related to what the researchers wanted for this research. He did not want to be recorded on a tape, citing religious reasons, which the researchers did not ask about.

**Research approach**

A qualitative study requiring explanations on approaches and success stories of the SMME in question was conducted. A face-to-face interview was conducted in which the respondent was requested to inform the researchers on the questions asked, and providing explanations on the choices of those approaches. The owner of the SMME company was asked the following questions:

i. How the business was doing?
ii. How he approaches business?
iii. How he compared with other similar businesses locally?
iv. How he compared with other businesses far away?
v. Other things he wished to share?

The respondent was also requested to allow the researchers to probe with additional questions when it became necessary, such as where they needed to explore his input further.

**FINDINGS**

The respondent (building contractor) gave a brief history of the business. The business was established in the year 2001. He started as a driver in the taxi industry. He later went to work for a business person in the township of Soshangwe. When he opened up the construction company, it was initially intended to operate in the townships of Ga-Rankuwa, Mabopane and Soshangwe as well as the neighbouring villages.

The respondent stated that his business was growing, and will continue to grow. At the time of the interview, the company was involved in other major building projects at Thohoyandou and Makhado in the Limpopo Province. Other major building projects were in Mafikeng in the North-West Province.

Figure 1 shows where his business is based - the head office and the branches in other provinces where major building projects are conducted. The respondent apportion his success to ‘being a corporate citizen’. The researchers had to request him to clarify what he meant about ‘being a corporate citizen’. He mentioned that township construction companies did not survive because they did not care about their communities, their environment and their employees; hence they were not good corporate citizens. Also, they do not care about good service. This, according to him, is what he meant when he said they were not corporate citizens. He also offered to show how his company was a good corporate citizen. He stated that his company is involved in social responsibility because it acts in accordance with social principles and incorporates business ethics in determining business policy. Management and employees are all involved and speak ‘with one voice’. For example, employees are actively involved in the local communities of Mabopane and Soshangwe. They put company time and resources into educational programmes, into youth mentoring and enrichment programmes, and they mostly promote educational programmes that focus on promoting engineering and science-oriented career choices. More than 50 learners attending mathematics, science and technology on Saturdays have so far received financial support to attend courses in Pretoria / Tshwane city central.
"Our company believes that it needs to take action to advance communities in which it operates, especially clients who have contributed to the growth of this company. It also believes that people who make it are the employees, and thus the company believes it should be responsible for their health and their well-being. The company takes grave steps in its daily business practice to improve the lives of people and to ensure that employees are safe at work. The company has also allowed a few internship offerings in the past, and will do so in future if requested. The reason we do not advertise it is because we are limited in capacity, but we will accommodate up to five interns from local townships if requested. As for our employees, the company develops all its employees. We send them to conferences, they take turns. We also encourage them to study, and we pay full fees if they study courses related to construction, and portion of their fees for other courses. To be honest, we started sponsoring studies when the Department of Labour visited our company and asked us about our contribution to employee development and informed us about government levy and tax benefits when companies pay employee study fees."

Mr X continued that “we hired the right people. If you stick to relatives, some are jealous and will pull you down – you know family or relative politics. The people we hired are hungry for work. They also want to improve the living conditions of their families. We interviewed these people gave them probation and let them prove themselves. We also gave them the chance to evaluate us during the probation period, by giving them incentives in the form of bonuses. We do not give them permanent positions when they do not seem to come right after a few chances. The probation period runs up to 18 months broken into three months. If we are not satisfied with their services after the first three months we then extend to another three months. This process continues until we reach 18 months where we decide whether to keep the employee and hire him or her permanently or not. The employees also have a choice of whether to accept or refuse the permanent employment. If we disappoint them, they have a choice to refuse to accept our permanent offer.”

Still on the issue of staff, the owner stated that in the company, it is an offense to fail to work in teams, or to refuse colleagues valuable information about work issues. If anyone is found having violated any of the company guidelines, there are various kinds of punishment starting from fines where one buys others small ‘food parcels’ like sweets or other, in playful spirit, but emphasis is made formally to the offender that such conduct is not acceptable. By the way, the employees themselves started this thing of fining one another, and it works for us, even though it is very informal. If there can be very serious negligence that compromises the integrity of the company, heads can roll, and policies stipulate possibilities of salary deductions, suspensions up to dismissal. We are lucky that these serious measures have so far not been used as none of our employees seem to be capable of serious offences.”

“One time, we advised obese women to attend wellness programmes in an attempt to encourage them to maintain healthy lifestyles. Our company ended up having to negotiate short fitness programmes for about eight women in a local fitness club and then sponsoring their fitness programmes. During that period, there had been huge profits and employee bonuses had already been paid. But surely, without disposable portion of revenue, we cannot afford to help outsiders.”

“Our company boasts of having implemented internal controls reform in the form of accounting for all the company activities. We are also a family business that boasts commitment to diversity in hiring employees. We have barred discrimination by recruiting outside the family. Our most important assets are the employees, and we even told them so. We perform to meet and
exceed the expectations of our clients. We do this by integrating the views of employees into decision-making processes because they know the clients and their expectations are sometimes more than that of the management.”

“We are considered to be doing the work of charity, but we view it as a vital investment in our future, essential to our top-line and bottom-line business success. It is a broad commitment to protecting and improving the lives of workers and the communities in which our company does its business. We enjoy it all”, he said. Mr X believes that it enhances more markets and thus contributes to profit making, but agreed that they could not measure the additional portion of the market that was enhanced by social responsibility initiatives. That is how we ensure that we are sustainable. One thing that the company realised was increased market, which we did not anticipate. The formal marketing that our company paid for never came close to bringing the number of clients that we experience. Many of them stay in the queue, and they prefer to stay long while buying building material bit-by-bit. So we have one project after the other, and we cannot complain of lack of market. We do not need formal marketing because our caring does it for us.”

“If I may deviate a little, I personally was a victim of bad workmanship, you can ask my wife. I had to learn building construction by fixing my own house, which the company that built our house did not cooperate in correcting their mistakes when we called them”, he said. He continued by saying, “I saw an opportunity there. These would be my competitors. I knew that I had little competition because if I could do well in completing the houses, and doing it quicker, I had no competitors. I had fixed their mess better than them and if I improve on this, then I cannot be worse than them. What do I lose? That was when I decided to become a contractor. Correct their mistakes; do what they do not do, such as doing the work right, and be ahead of them – this is what I told myself”.

The respondent concluded that the conduct of SMMEs in township building construction could therefore not be dominated by the companies he found in the local market. Efforts to determine reasons for the failure of many of the township contractors showed that many of them ‘did not look beyond profit making’. What this means is that, when such a SMME had a client for whom they were required to build a house, they were mostly interested in making profit from it without finding ways to use this project to attract more future projects. One example is that the contractors would usually not show interest in the clients. When the clients wanted to discuss certain issues in the houses being built, the contractors were not always interested in opening up. On changes that the client wanted to make on the original plans, some contractors insisted on sticking to original plans as ‘they were obliged by the mandate’. This was despite indications showing that flexibility was permissible in more established contractors. The township contractors were at that time also not showing closeness or appreciation of their clients. This seems to have frustrated the clients who in the first place expected closeness to fellow blacks compared to the white contractors who would not be close and that was one of the reasons they were not used by clients in the building of their township houses. Many of the SMMEs in the townships did not survive for long, even emerging ones after they stayed for a few years without showing signs of displacing the white contractors due to their standard ways of working. The loss of the market to city contractors seemed to scare many would-be entrepreneurs to open business mainly for township construction or even enter the construction market in townships.

The researchers were informed that the company survived and grew over the years, and then converted from cc (close corporation) to register as a full company (that is, (Pty) Limited). At this point, he stated that it is one of the legalities involved in ensuring that taxes did not affect family assets, in case of future liabilities. He also stated that the company is a ‘law and order’ follower, and employees are trained in certain legal frameworks that affect the business, so they know how to conduct themselves at all times.

Mr X building construction started as a one-man business operator. It was a sole trader with Mr X being 'jack of all trades'. That means that he had to do everything in the business; from marketing the business, managing the finances and even building. When he secured a building project, Mr X outsourced labour to assist him in completing that specific project. This business grew and was registered as a close corporation. At this stage, he hired three full-time staff. As the business grew and more building projects were secured, Mr X hired more staff. Some of these staff were groomed into responsible positions like supervisors and managers. From a close corporation, the business was registered as a private company. The business currently boasts of 41 employees, 23 of whom are full-time employees and 18 work on a part-time basis. The business has a formal structure as reflected in Figure 2.

Main pillars leading to the success of Mr X

Growth of business

There was great confidence that the company had a long future of growth, simply because they were corporate citizens. The explanation of corporate citizen and which forms the bases for the company to rise included that they:

i. Cared for communities in which they were working and proved to them that they genuinely cared for them
ii. Provided undoubtedly good service
iii. Showed interest in community matters and
Participated in some of them as if they were part of them. Helped advancing the community sometimes in initiative and innovative ways beyond community reach

**Company philosophy and policy**

The company had a philosophy that communities in which it operated should be healthy, and that it would contribute where it could to contribute to this health, as well as helping in advancing its well-being. The question of building contractor interns for locals was also made one of the company commitments.

Misconduct of any kind is an offense in the company because the company policy allows measures to be taken against employees on misconduct. The company considers it fortunate to have not had serious cases to involve the use of aggressive measures such as dismissals and salary deductions.

**Reaching out**

The company could reach out in issues such as helping in the teaching of learners in mathematics, science and technology. This occurred mainly through sponsorship with money for needy learners. At some point, the company encouraged obese women to attend fitness programmes and subsidised some of them in a local fitness club.

**Meeting and exceeding client expectations**

The company ensured that the customer had to be given the best service by the company doing what the client wanted in houses or buildings, and doing some extra work to ensure full satisfaction of the client.

**Management and staff speaking with one voice**

The employees of the company and management are on par with the way things have to happen in the company. They all understand the company philosophy and subscribe to it. Employees are made so because they get their bonuses when the company has generated more profits, so they are generally satisfied. Furthermore, they are encouraged to enrol for courses and the company subsidises them. Employees are given opportunities to attend conferences in turns with full funding, and they receive training sometimes even outside the company if they identified their needs.

**Confidence in view of competitor weakness**

The company is confident since it operates in an environment where competitors do not ‘stretch their hand to communities’, and they make mistakes that are identifiable. As a result, the company of focus exploits these. It improves where others make mistakes, and find strengths of its own through benchmarks from advanced businesses outside the townships.

**Human resources**

The company is shown to hire capable and determined personnel, and from various backgrounds. There is generally no discrimination. They have also been made aware that the company values them. These people are also allowed to contribute in suggestions and to some point in decision-making.

**Growing in size**

One advantage of the company was to grow in terms of...
staffing, finances, as well as in business formalities from close corporation to (Pty) Limited. This serves as a platform to compete because they become bigger and more visible. Further, they can be able to do more of what they did for communities.

**Teamwork**

The company still follows the formal way on teamwork, where employees are obliged to work together and support one another on different tasks. The company seems to have a strong policy on teamwork.

**Lessons from experience**

Having become a victim and being refused help when the business owner requested, was viewed as an opportunity. It was worthwhile for Mr X because he used what he had learnt and improved on it in order to become a proficient contractor.

**Opening up to clients/customers**

When clients approach the owner, once they indicate what they want, he informs them about the ‘stock’ he knows to be available, even if it belongs to competitors. He also explains what the company can offer to ensure that the client can have plenty of options around their preferences.

**Law and legislations**

The company prides itself for using stipulations of the law as opportunities, and also for abiding by the law. The employees are also made conscious and aware of legal issues surrounding the business.

**Brand differentiation**

The company showed to have brand differentiation. Management branded the company with activities and rules that competitors already in business were not doing. That is, the company became innovative (that is, did what other local companies did not do) and also improved on the positives that others had.

**Marketing**

The company claims that social responsibility efforts for them resulted in marketing results for which they do not have to pay separately. They state that marketing efforts that were formal could not bring more clients than the way social responsibility is doing for them.

**Lessons learnt**

The initial phase of social responsibility decision was aimed only at contributing to the well-being of local people and those who contribute to the business even if they are far away, since there are clients outside the Head Office of the company. In the end the company had to train and expose employees to good conduct, and to also let them have access to clients to enable them to make contributions to company practice. They had to learn to obey laws wherever they operated, and the company had to ensure that they were exposed to legalities necessary so that they did not embarrass the company while in contact with clients. In this way the company saw an opportunity to empower the staff.

The other thing is, since the company uses staff to entertain clients, the employees have to be happy when they do it. As a result, the employees are rewarded first before they can ‘reward’ outsiders. In this way, they lack possible jealousy. Moreover, the results are all positive. The company is always ‘on its toes’. It is accountable and keeps the books correctly. It also hires the right people to ensure that the job is done well.

The main lessons learnt are that a small business should perform at the level of big business and cover all relevant business aspects for it to reach the status of a big business. It was clear that a small business that operates holistically (that is, that covers) essential elements for a big business has a chance to outsmart small businesses and can eventually grow to become a big business. The fundamental lesson in this study is that social responsibility, which may be perceived as a reduction of income for a small business in the short-term, is a business tool worthy of enriching the small business over a long-term. Also, engaging in social responsibility does not require a business to be irresponsible or to neglect other important business aspects. In this case study it was observed that social responsibility served as a vehicle for growing a small business into a profitable big business. These are some of the lessons that other small businesses could learn.

**Detriments of engaging in social responsibility**

One would normally expect business to lose funds during reaching out. In this case study no detriments to the business were revealed, even though it had to use some of its funds to sponsor outside activities. At the beginning of social responsibility efforts, the company did not know the potential opportunities available; all it was interested in was to ‘reach out’ to the needy causes. The efforts had no visible detriments to business.

**Benefits of engaging in social responsibility**

The business had to train its employees, compelled to
reward them whenever they did something good to attract finances, to hire the right people in order to ensure that the programmes are followed right, and there was marketing results without investing in it in a formal way. Furthermore, the company has a vibrant brand differentiation and competition remains behind.

Conclusion

Contrary to expectations, engagement in social responsibility seems to bring joy to business leaders, and no extra tasks or resources are required to engage in social responsibility as a business. However, there are extra benefits. The business did not have to ignore competition and profitability to engage in social responsibility. In fact, profits served as a base for being able to afford something to the needy. It was indicated that morality was the principal aim of social responsibility engagement in the business. At the same time, accountability and abiding by business regulations were encouraged by social responsibility demands. Indications were also that there are plenty of markets enhanced by social responsibility efforts. In brief, there were gains and no losses.

RECOMMENDATIONS

Failure to engage in social responsibility occurred primarily in cases where efforts of social responsibility were perceived to be a burden to business operations. However, studies show that this is not generally the case, and that examples exist where there are benefits in engaging in social responsibility and no detriments. Also, where social responsibility does the work of marketing, it is an investment worth doing because it fulfils lives that had little or no hope. Recommendations are thus made to companies that did not perform social responsibility. These companies should be involved in the following.

Start perceiving social responsibility not as a burden but as an opportunity

Companies that are involved in social responsibility activities to their local communities increase customers patronising to their businesses. Although contributions to the well-being of the communities in monetary form and in kind seem to reduce the profitability of the business, the end-results yield more profits for the business. The benefits of such businesses far outweigh those of businesses that do not contribute anything to their local communities.

Use marketing as a motive for engaging in social responsibility.

Companies can start engaging in social responsibility and in the process give out T-shirts, caps, souvenirs, pens, and other items with their names and contact details on the items. The people being assisted or supported can be given these items as an additional gift. Also, pamphlets outlining the company services can be distributed. Marketing spaces in local magazines can be bought in which the companies advertise and include their social responsibility contributions as one reason the projects are required, that is, to raise funds for supporting needy people.

REFERENCES


