Challenges facing newly established quantity-surveying firms to secure tenders in South Africa

Abstract
The article aims to determine the challenges faced by newly established quantity-surveying firms (NEQSFs) in securing tenders in South Africa. A quantitative research approach was implemented in the study which included a literature review and a questionnaire survey to identify the barriers experienced by NEQSFs. The results revealed that the specific challenges faced by NEQSFs are political influence and corruption in the awarding of tenders, excessive discounting of professional fees, and favouring large and established firms over NEQSFs. This article is relevant, as it contributes to the understanding of key challenges faced by NEQSFs and reveals gaps to be filled in order to position these new firms on a higher platform to be able to operate within the profession. Furthermore, it also demonstrates to potential entrepreneurs the importance of considering these challenges in the start-up and growth of their businesses.

Keywords: Challenges, South Africa, tenders, quantity surveying
Abstrak

Die doelwit van hierdie studie is om die uitdagings van nuutgevestigde bourekenaarfirmas (NGBRFs) in Suid-Afrika ten opsigte van die toekenning van tenders te bepaal. ’n Kwantitatiewe navorsingsmetode is gevolg wat ’n literatuurstudie asook vraeyleste ingesluit het om te bepaal watter struikelblokke NGBRFs ervaar. Die resultate bevestig spesifieke uitdagings wat NGBRFs ondervind in die toekenning van tenders, onder andere politieke invloed en korupsie, buitensporige afslag op professionele gelde deur ander firmas en die bevoordeeling van groter en gevestigde firmas bo die NGBRFs. Hierdie artikel is relevant omrede dit bydra tot die bewusmaking van uitdagings wat NGBRFs ondervind en om die gapings te identifiseer om hierdie firmas die geleentheid te gee om met groter firmas mee te ding. Die resultate van hierdie studie bevestig die hoofuitdagings wat NGBRFs ondervind in die toekenning van tenders in Suid-Afrika en dat dit belangrik is vir potensiële entrepreneurs om hierdie faktore in ag te neem in die vestiging en groei van hul besighede.

Sleutelwoorde: Uitdagings, Suid-Afrika, tenders, bourekenkunde

1. Introduction

Quantity surveying dates back to the beginning of the nineteenth century in England where quantity surveyors were known as surveyors or measurers (Maritz & Siglé, 2012: 1-7). The profession spread abroad and was eventually established in South Africa. The early development of quantity surveying in South Africa was greatly influenced by the country’s many political and economic changes. In response to a growing demand for quantity surveyors in South Africa, more fully qualified quantity surveyors established themselves in larger centres in the country. After a long process that started in 1967, the Quantity Surveyors’ Act (No. 36 of 1970) was published, resulting in the establishment of the South African Council for Quantity Surveyors. In 2000, the Quantity Surveying Professional Act (No. 49 of 2000) was gazetted. The new act introduced a principle in terms of which registration with the South African Council for the Quantity Surveying Profession (SACQSP) would be compulsory for persons wishing to practise as professional quantity surveyors (Maritz & Siglé, 2012: 1-7).

The quantity-surveying profession has faced enormous challenges since its establishment. It has developed and survived the storms to such an extent that it is currently a notable profession in the construction industry (Wao, 2015: 1212). However, Frei, Mbachu and Phipps (2013: 13) mention that there are still difficulties facing NEQSFs in securing tenders; this threatens their survival, expansion and fortune. According to Aliyu (2011: 17), consultants in the built environment, mostly quantity-surveying firms (QSFs), usually have a small number of key personnel. In South Africa, where the small businesses constitute more than 80% of the business sector, the growth rate is low. This can be attributed partly to the lack of support offered...
to small and medium enterprises, lack of management expertise, legal requirements not met, and poor staff relations (Mboyane & Ladzani, 2011).

Other barriers threatening the existence of NEQSFs and QSFs internationally include the inability to apply value management knowledge techniques in order to create value for clients (Kadiri & Ayodele, 2013: 73). Kadiri and Ayodele (2013: 76) also mention that poor marketing of the profession can also be viewed as an inevitable challenge that hampers the sustainability and growth of QSFs. Nigeria is an example where the majority of people have not acquainted themselves with the role and functions of a quantity surveyor, especially clients not realising the absolute importance of employing the services of a quantity-surveying firm on their construction projects. Nyamagere (2010) and Shikwambana (2016) mention that, in Tanzania where the practice of quantity surveying is becoming relatively dynamic, challenges hindering NEQSFs include favouritism and corruption, low fees charged by other competitors, and marketing ethics.

Furthermore, Annunike (2011: 33) suggested that challenges faced by QSFs also include ancient business practices and structures that no longer meet the present needs of clients, coupled with incompetent personnel, due to the lack of Continuous Professional Development (CPD) training and an inability to inspire and withhold capable specialists, as well as inefficient operational resources such as, for example, stationery, resulting in idleness when performing tasks, and outdated operational techniques. It is a great challenge as more established businesses deliberately frustrate emerging firms by appointing voluminous key personnel. Thus, NEQSFs may find themselves vulnerable to the ideology of ‘the bigger, the better’. In South Africa, however, CPD opportunities have become more available to ensure that quantity surveyors can be kept up-to-date with modern technologies and provide better service to their clients. The challenges faced by NEQSFs could be summarised as internal (micro-environment) and external (macro-environment), both of which may have contributed to the hiccups hidden, perpetually causing an unimpressive sustainable growth for NEQSFs; this can also be true for NEQSFs practising in South Africa.
2. Literature review

In order to understand the challenges facing NEQSFs in securing tenders in South Africa, it is important to introduce the stages of entering the profession and some of the factors that may have an effect on NEQSFs securing tenders in South Africa.

2.1 Three distinct life-cycle stages to practise as a quantity surveyor in South Africa

A person must abide by the following stages in order to register as a quantity surveyor and establish a new firm.

**Applicant** – According to the SACQSP Registration Guidelines (2013: 7), a person who intends to be registered as a professional quantity surveyor needs to complete the necessary documentation. Upon submission for assessment, the SACQSP registration department will agree on the route to registration with the registration committee to validate the application. The Registrar’s office will issue a receipt of the online application and, once payment has been received, a temporary “NT” processing number will be issued to enable the applicant to continue submitting the prescribed documentation. The Registration Department will not process the application until all the prescribed documentation has been received.

**Candidate quantity surveyor** – The certificate of registration will be issued by the SACQSP Registration Department and the registered person will commence his/her route to registration and the start of candidate training. Candidates will then be issued with an “IT” number to use on all documentation and formal communication with the Council. Candidates may only use the title Candidate Quantity Surveyor or CanQS, in addition to their formal academic qualification and their IT registration number.

**Professional quantity surveyor** – After the successful completion of the Assessment of Professional Competence (APC) interview, the candidate quantity surveyor will be issued with a certificate of PrQS registration. The quantity surveyor may, thereafter, use the title Professional Quantity Surveyor or PrQS, in addition to his/her formal academic qualification and registration number (SACQSP, 2013).
2.2 **Business environment conditions in the quantity-surveying profession**

Although NEQSFs initially have hardly any influence on the macro-environment, all new business ventures form an integral part of the economy and prevail within a vigorous environment. In an open economy, business entities are controlled by, and have control on the variables in the business environment. The business environment can be subdivided into the internal (micro-) and the external (macro-) environments (Van Eeden, Viviers & Venter, 2003: 13). Micro-environment could be regarded as internal barriers such as lack of personnel, lack of business mentorship, access to finance, marketing the firm, failure to implement strategic plans, management skills, location, and networking. Macro-environment could be categorised as external factors such as political interference, economic climate, taxation, laws and regulations, and competitive rivalry (Hough, Thomson, Strickland & Gamble, 2008).

In this study, problems experienced by NEQSFs are categorised on the basis of their origin in the business environment.

2.2.1 **Laws and regulations**

The Growth Index for small to medium enterprises has repeatedly identified the regulatory burden as a critical challenge facing small businesses. Frequent changes in the regulatory environment, the need to keep track of overlapping and sometimes conflicting requirements across multiple departments and levels of government, poor communication and access to information, as well as administrative inefficiencies in government departments mean that the small enterprise owner spends a disproportionate amount of time dealing with regulatory compliance such as business legislation, labour issues, taxation, and so on (SBP, 2014). Organisations are in need of mechanisms to help assure that operational practices comply with standards and regulations. According to Ernest and Young (2007), cited in Breaux, Antón and Spafford (2009), the top drivers of a practice are to comply with regulations and to implement policies and procedures that comply with the law. This appears to be a global tendency, as international evidence suggests that the regulatory environment can be a major hurdle to the survival and growth of new businesses. Business owners in Africa encounter more regulatory hurdles than in any other continent. As the costs of doing business in Africa (which includes South Africa) are prohibitive, due to burdensome laws and regulations, difficulties in securing property
rights, ineffective courts as well as weak institutions and infrastructure, more reform is needed (World Bank, 2006).

Furthermore, various acts and programmes in South Africa have a major impact on tendering on projects such as the Preferential Policy Framework Act of 2000 and the subsequent BBBE legislation to give preference to:

- contracting with persons historically disadvantaged by unfair discrimination on the basis of race, gender or disability
- implementing the programmes of the Reconstruction and Development Programme (Government Gazette No. 16085).

The Competition Act (No. 89 of 1998) also had an impact when the fees for professional services changed from ‘minimum’ to ‘recommended’ fee scales, resulting in the discounting of fees, as mentioned earlier.

2.2.2 Lack of key personnel

NEQSFs require access to a pool of suitably skilled and suitably motivated labour in order to sustain growth. This is corroborated by Mahadea (2008: 16) who found that new firms find it difficult and costly to appoint competent employees in South Africa. Barrett, Neeson and Billington (2007: 686) also stated that directors of new firms frequently lament the predicament of sourcing competent employees. Furthermore, Nyamagere (2010: 89) mentioned that the construction industry’s growth rate is escalating and that building client’s requirements and construction technology are becoming complex; thus, the industry requires extensively experienced personnel to perform certain duties. The majority of NEQSFs are not able to pay experienced personnel; hence, they recruit inexperienced and incompetent employees, mostly graduates with hardly any or no experience. Owing to the latter problem, when it comes to bidding for tenders, NEQSFs may not secure the appointment, as the company does not have extensive practice experience.

2.2.3 Competitive rivalry

The extent of competition also impacts on the market potential and growth opportunities of NEQSFs. To survive and achieve success, new firms need to understand the dynamics of competition in the profession and develop skills and competencies that give them a competitive advantage, especially in non-government work (where not only the metrics of price and preference are scored). Therefore, managers of new firms have to scan and interpret environmental changes in order to maintain their firms’ viability and performance.
(Zahra, Neubaum & El-Hagrassey, 2002). In the quantity-surveying profession, fierce competition has given birth to excessive discounting of professional fees. According to Claasen and Cumberlege (2014: 24), QSFs offer discounts of up to 70%, which is substantially below the Tariff of Professional Fees published by the SACQSP.

2.2.4 Political

According to Kotzé and Masutha (2002: 5), political corruption has been a persistent phenomenon throughout history. Corruption is an ethical issue, based on the values system of a nation, and its eradication requires total commitment and united efforts by government and civil society to change a polluted moral culture. It is a fact that political corruption poses a serious threat to newly liberated nations such as South Africa, especially with regard to business development (Kotze & Masutha, 2002).

Numerous countries have become increasingly mindful of the significance of procurement as an area vulnerable to mismanagement and corruption, which is mainly caused by the political influence of that particular country (Ambe & Badenhorst-Weiss, 2012: 245). Other than lack of capacity to deliver required services, lack of financial control systems and lack of political stability, one of the biggest challenges facing the South African public sector is corruption and maladministration (Thornhill, 2006: 322-323). Madumo (2012: 50) concurs that corruption and mal-administration remain in all the spheres of government, especially in local governance.

Corruption occurs during the process of procurement of goods and services (Mashimbye, 2016). It is either that the prices are inflated, contracts are awarded to friends or family, tenders are not advertised, bid committees are not properly constituted, or panel members did not declare their interest before the sitting of the adjudication committee. Mashimbye (2016) suggests that, to a certain extent, most of the fraud and corruption in government occur through poor procurement management and control. As a result, NEQSFs suffer the most, as equal opportunities are not presented to all firms in the construction industry. Mashimbye (2016) further mentions that corruption and favouritism are unavoidable in the construction industry. Moeti (2014: 17) also agrees, stating that, to this end, it is safe to argue that the relationship between public sector procurement and corruption is inevitable. It seems that one cannot exist without the other.
2.2.5 Economic

Economic downturns have been the bane of the quantity-surveying profession since its inception. It has always been cyclic, with a boom for several consecutive years followed by a slump. With the global economic crisis starting around 2008, it did not spare the South African construction industry. Limited construction projects were available to firms, thus negatively affecting their annual turnover and growth (Kazaz & Ulubeyi, 2009: 25). The South African construction industry had a major financial boost from the 2010 FIFA Soccer World Cup, where great viable opportunities were available for firms. However, this benefited mainly large professional firms and ultimately forced NEQSFs to compete for smaller projects. To keep their firms in business and to secure cash flow, firms resorted to intensified offers of discounts on their professional services to prospective clients (SACQSP, 2011).

2.2.6 Marketing the firm

Park, Cho and Kandampully (2009: 134) state that the key factor which plays a role in business success is the formation of a solid brand. Brand awareness refers to the strength of a brand’s presence in the customer’s mind. Awareness is measured according to the different ways in which customers remember a brand, ranging from recognition (exposure to the brand), to recall (what can be recalled about the brand), to first in the mind (the brand appearing first in mind), and finally to dominate (Chen, Chen & Huang, 2012: 114).

Quantity-surveying practitioners are restricted in terms of marketing requirements in South Africa (Nyamagere, 2010: 88; Mashimbye, 2016). According to the ASAQS Code of Conduct, when advertising, a PrQS should ensure that any advertisement of his/her professional services “is not self-laudatory, is true, factual, dignified and creditable to the quantity surveying profession, is not misleading and does not imply in any matter that another practice would render a lesser service” (ASAQS, 2016: online) Although NEQSFs need to expose themselves to the industry, they may find it difficult to secure projects with the above limitation in mind. Furthermore, a further challenge to NEQSFs is that the majority of clients prefer to work with practices with which they are familiar, due to previous appointments.

2.3 The procurement of professional services

Quantity surveyors, engineers, architects, health and safety consultants, and so on within the built environment serve the construction industry in South Africa with a most significant pool of technically skilled resources that ensures successful, efficient
and cost-effective project delivery of a high calibre. Cutting-edge innovation and immense investment, supported by better infrastructure development and skills, will enable the economy to expand faster and become more productive. This, in the long term, also plays an important role in ensuring that the country remains technically competitive from a global perspective (CIDB, 2007). The South African National Treasury introduced four core uniform objectives in the hope of dismantling past discriminatory practices against new consulting firms, one of which is to “replace the outdated procurement and provisioning practices in government with a supply chain management function and a systematic competitive procedure for the appointment of consultants” (CIDB, 2007: 1). This CIDB’s Best Practice Guideline #7 on the procurement of professional services also yields that “it is necessary that certain minimum requirements of quality and efficiency be achieved when appointing consultants” (CIDB, 2007: 1).

Accordingly, the processes of procuring services in the construction industry need to maintain a balance between reasonable compensation that will ensure the continued attractiveness and development of these professions, on the one hand, and ensuring competitiveness, on the other hand.

2.4 The qualification and award criteria in public tender adjudication

With respect to the procurement of services, the contrast between qualification and award criteria may become obscure. In this situation, criteria such as past experience and the profile of the consultant, including elements such as the qualifications and experience of personnel, management structures, capacity and resources may be equally relevant to a particular bidder’s ability to deliver under the contract (as qualification criteria) and the merit of that bidder’s bid compared to other bids (as award criteria). The adjudication process stretches further to introduce a third approach, namely responsiveness. A bidder is regarded responsive if it complies in all material respects with the tender specifications (Quinot, 2014: 1111). It is more likely that, during this stage, NEQSFs will encounter challenges, due to the lack of detailed information during the expression of interest, which negatively influence their level of responsiveness. This is because information communicated during the invitation to bid is not sufficient for them to assemble an exceptionally calculated proposal. In order for a consultant to arrive at a feasible proposal, detailed information regarding the project must be provided (Nyamagere, 2010: 88).
It is also important to note that, when a contractor does not perform satisfactorily in terms of completing within the stipulated contract period, NEQSFs may end up with cash flow problems, as they have to provide professional services over a much longer period without additional compensation.

3. Methodology

The purpose of this research is to determine the challenges faced by newly established quantity surveying firms to secure tenders, using a quantitative research approach. This approach allows for the use of structured questionnaires surveys, enabling researchers to generalise their findings from a sample of population (Creswell, 2014). The questionnaire rated the barriers faced when operating a quantity-surveying practice. A quantitative research approach supports the use of interval Likert-type scales to measure data (Netemeyer, Bearden & Sharma, 2003) and allows for the use of descriptive statistics to analyse data (Brown, 2011: 11). Several data analysis strategies are available, but for this study the mean scores of interval data were used to calculate the central tendency and to determine the composite (average) score of the Likert-type scale constructs (Jamieson, 2004: 1217; Bishop & Herron, 2015: 279; Nahm, 2016: 9).

3.1 Sampling and response rate

According to the ASAQS online directory, there were 745 registered quantity-surveying firms in South Africa. According to Leedy and Ormrod (2005), a sample size of 40% of the population (298 registered quantity-surveying firms) was chosen to participate in the survey. After a second email was sent to the targeted population as a reminder, 59 quantity-surveying firms responded to the survey; this represents a response rate of 20%. From the 59 respondents, 21 were NEQSFs (established between 2011 and 2016), which forms the basis of this study. According to Moyo and Crafford (2010: 68), contemporary built-environment survey response rates range from 7% to 40%, in general.

3.2 Data collection

A structured web-based questionnaire survey was distributed to registered quantity surveyors in South Africa during July 2017. The questionnaire consisted of four sections. The design of the questionnaire ensured the avoidance of ambiguous and imprecise questions which assume specialist knowledge on the part of the respondent. The first section relates to the demographics of the
respondents. Section two is a set of fifteen Likert-scale items relating to problems that have been experienced by firms in the micro-economic environment. Section three covers a set of 13 Likert-scale items regarding barriers that have been experienced by firms in the macro-economic environment. Section four entails a set of 15 items used to determine barriers that firms experienced during the expression of interest in the public procurement sector. The data from these measurements forms the Likert-scale items used in the descriptive analysis of this study. To reduce the respondent’s bias, closed-ended questions were preferred for sections 2 to 4 (Akintoye & Main, 2007: 601). The questionnaire was administered to the study sample, along with a covering letter. The covering letter stated the purpose of the research and guaranteed that the information given by the respondents would be treated as confidential, and that no names would be mentioned in the research. Questionnaires were completed anonymously to ensure a true reflection of the respondents’ views and to meet the ethical criterion of confidentiality. It was also assumed that the respondents were sincere in their responses because of their anonymity.

3.3 Analysis and interpretation of the data

A 5-point interval Likert scale was used to measure how strongly respondents felt regarding the statements or questions in the Likert-scale constructs. Likert scales are effective where numbers can be used to quantify the results of measuring behaviours, attitudes, preferences, and even perceptions (Wegner, 2012: 11; Leedy & Ormrod, 2005: 185).

For the purpose of analysis, the ranges relative to the MS are defined as follows: >1.00 to ≤1.80 (no effect/no barrier/not at all/not important; >1.80 to ≤2.60 (little effect/barrier/extent/importance); >2.60 to ≤3.40 (moderate effect/barrier/extent/importance; >3.40 to ≤4.20 (somewhat effect/extent/importance, and >4.20 to ≤5.00 (greatly effected/extreme barrier/very large extent/very important).

The Statistical Package for Social Sciences (SPSS) version 22 (Pallant, 2011) was used to process the interval scales and to analyse them using descriptive statistics such as means, modes, and standard deviations.

The mean of responses was generated, in order to analyse and rank the challenges facing NEQSFs. Only the mean of the items was used to show the central tendency and to rank the factors in order of the most effected to the least effected.
The percentages, frequencies, mean, mode, and standard deviation of responses were generated in order to analyse the **internal and external challenges affecting NEQSFs in securing tenders**. Only the mean of the items was reported to show the central tendency and to combine the MSs of the entire set of items in the construct to generate the composite (average) score for the elements.

The percentages, frequencies, mean, mode, and standard deviation of responses were generated, in order to analyse the **enhancement possibilities for new firms**. Only the mean of the items was reported to show the central tendency and to combine the MSs of the entire set of items in the construct to generate the composite (average) score for the elements.

4. **Results and discussion**

4.1 **Challenges facing NEQSFs**

This part of the research intended to identify the overall business environmental challenges faced by NEQSFs. From Table 1, macro-environmental factors are the dominant challenges, with the result that NEQSFs have no control over them.

Table 1: Challenges facing NEQSFs

<table>
<thead>
<tr>
<th>Challenges</th>
<th>No effect</th>
<th>Little</th>
<th>Moderate</th>
<th>Somewhat</th>
<th>Greatly effected</th>
<th>Unsure</th>
<th>MS</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political corruption and influence in the awarding of tenders</td>
<td>0 (0%)</td>
<td>1 (3%)</td>
<td>1 (3%)</td>
<td>6 (29%)</td>
<td>13 (63%)</td>
<td>1 (2%)</td>
<td>4.64</td>
<td>1</td>
</tr>
<tr>
<td>Outrageous discounting of professional fees by other firms</td>
<td>1 (5%)</td>
<td>0 (0%)</td>
<td>1 (5%)</td>
<td>3 (12%)</td>
<td>16 (78%)</td>
<td>0 (0%)</td>
<td>4.57</td>
<td>2</td>
</tr>
<tr>
<td>Lack of detailed information</td>
<td>1 (3%)</td>
<td>2 (10%)</td>
<td>4 (20%)</td>
<td>6 (27%)</td>
<td>8 (39%)</td>
<td>0 (0%)</td>
<td>3.86</td>
<td>3</td>
</tr>
<tr>
<td>Insufficient government support</td>
<td>3 (12%)</td>
<td>3 (12%)</td>
<td>3 (14%)</td>
<td>3 (15%)</td>
<td>10 (47%)</td>
<td>0 (0%)</td>
<td>3.81</td>
<td>4=</td>
</tr>
<tr>
<td>Quantity surveying marketing ethics hindrance</td>
<td>3 (12%)</td>
<td>2 (10%)</td>
<td>4 (20%)</td>
<td>5 (25%)</td>
<td>8 (37%)</td>
<td>1 (2%)</td>
<td>3.81</td>
<td>4=</td>
</tr>
<tr>
<td>Lack of key personnel</td>
<td>3 (12%)</td>
<td>2 (10%)</td>
<td>4 (20%)</td>
<td>3 (15%)</td>
<td>9 (41%)</td>
<td>1 (2%)</td>
<td>3.80</td>
<td>6</td>
</tr>
</tbody>
</table>
With a mean score (MS) of 4.64 revealed in Table 1, the dominant challenge is the political corruption and influence in the awarding of tenders. The majority (90%) of the respondents indicated that another key challenge is the excessive discount on professional fees allowed by other firms, mainly as a result of lack of work. This once again proves that clients are seeking the lowest possible bid, which ultimately forces consultants to ‘cut’ fees to unacceptable levels. More than half (66%) of the respondents also stated that lack of detailed information is another challenge in securing tenders. Lack of key personnel is sometimes experienced as a challenge (MS = 3.80).

4.2 Internal and external challenges affecting NEQSFs in securing tenders in South Africa

Tables 2 and 3 show the ranking of various internal and external challenges of NEQSFs. The ranking of the challenges was based on the mean scores (MS) given by the respondents (excluding responses of ‘Unsure’).

Table 2 indicates the extent to which certain internal challenges affect NEQSFs in securing tenders in South Africa. The responses are tabulated in terms of percentage responses to a range of 1 (Not at all) to 5 (Very large extent), and a Mean Score (MS) with a minimum value of 1.00 and a maximum value of 5.00.

<table>
<thead>
<tr>
<th>Micro-environment (internal) challenges</th>
<th>Not at all – (5) Very large extent</th>
<th>MS</th>
<th>Std. Dev.</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Lack of brand awareness</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>1 (5%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>Quantity surveying marketing ethics</td>
<td>0 (0%)</td>
<td>1 (5%)</td>
<td>2 (10%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>Lack of key personnel</td>
<td>0 (0%)</td>
<td>1 (5%)</td>
<td>3 (14%)</td>
<td>1 (5%)</td>
</tr>
<tr>
<td>Lack of beneficial network for</td>
<td>0 (0%)</td>
<td>2 (10%)</td>
<td>2 (10%)</td>
<td>3 (14%)</td>
</tr>
<tr>
<td>sustainability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficulty of recruiting competent staff</td>
<td>0 (0%)</td>
<td>2 (10%)</td>
<td>1 (5%)</td>
<td>4 (19%)</td>
</tr>
<tr>
<td>Lack of business mentorship</td>
<td>0 (0%)</td>
<td>1 (5%)</td>
<td>2 (10%)</td>
<td>4 (19%)</td>
</tr>
<tr>
<td>Lack of finance to recruit key personnel</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>5 (23%)</td>
<td>4 (19%)</td>
</tr>
</tbody>
</table>
The average mean of 3.00 demonstrates that internal challenges in the micro-environment somewhat affect NEQSFs in securing tenders in South Africa.

Lack of brand awareness, quantity-surveying marketing ethics hindrance, and lack of key personnel are ranked one, two and three (top-three), respectively, as they have MSs ranging between MS range >4.20 to ≤5.00, which indicates that respondents perceive that these three challenges affect their NEQSFs to a ‘very large extent’. The standard deviations of the top-three ranked are 1.51, 1.22, and 1.41, respectively. This indicates that the responses were all reasonably closely grouped together. The modes of the top-three internal challenges are all 5, which indicates that the respondents consider all of the top three challenges to affect to a ‘very large extent’.

With a MS of >2.60 to ≤3.40, NEQSFs sometimes experienced difficulties relating to financial assistance from banking institutions. Other challenges experienced in this category are the lack of start-up capital, lack of fixed capital to purchase permanent assets,
Table 3: External challenges affecting NEQSFs in securing tenders in SA

<table>
<thead>
<tr>
<th>Macro-environment (external) barriers</th>
<th>Not a barrier – (5) Extreme barrier</th>
<th>Mode</th>
<th>MS</th>
<th>Std. Dev.</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U 1 2 3 4 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political corruption and influence in the awarding of tenders</td>
<td>0% 0% 1 (5%) 0% 2 (10%) 18 (85%)</td>
<td>5</td>
<td>4.76</td>
<td>1.72</td>
<td>1</td>
</tr>
<tr>
<td>Lack of political stability</td>
<td>0% 0% 2 (10%) 0% 3 (14%) 16 (76%)</td>
<td>5</td>
<td>4.57</td>
<td>1.51</td>
<td>2</td>
</tr>
<tr>
<td>Insufficient government support</td>
<td>0% 1 (5%) 1 (5%) 3 (14%) 3 (14%) 13 (62%)</td>
<td>5</td>
<td>4.24</td>
<td>1.19</td>
<td>3=</td>
</tr>
<tr>
<td>Outrageous discounting of professional fees by other firms</td>
<td>0% 3 (14%) 0% 1 (5%) 2 (10%) 15 (71%)</td>
<td>5</td>
<td>4.24</td>
<td>1.41</td>
<td>3=</td>
</tr>
<tr>
<td>Inability to determine the market potential, due to fierce competition</td>
<td>0% 3 (14%) 0% 2 (10%) 8 (38%) 8 (38%)</td>
<td>4.5</td>
<td>3.86</td>
<td>0.85</td>
<td>5</td>
</tr>
<tr>
<td>Recession in the economy</td>
<td>0% 0% 6 (29%) 9 (42%) 4 (19%) 2 (10%)</td>
<td>3</td>
<td>3.10</td>
<td>0.49</td>
<td>6</td>
</tr>
<tr>
<td>High inflation rate</td>
<td>0% 1 (5%) 6 (28%) 8 (38%) 4 (19%) 2 (10%)</td>
<td>1</td>
<td>3.00</td>
<td>0.43</td>
<td>7</td>
</tr>
<tr>
<td>Cut in budget for infrastructure spending</td>
<td>0% 1 (5%) 6 (29%) 9 (42%) 3 (14%) 2 (10%)</td>
<td>3</td>
<td>2.95</td>
<td>0.47</td>
<td>8</td>
</tr>
<tr>
<td>High tax rates</td>
<td>0% 8 (38%) 7 (33%) 5 (24%) 0% 1 (5%)</td>
<td>1</td>
<td>2.00</td>
<td>0.31</td>
<td>9</td>
</tr>
<tr>
<td>Complex tax administration</td>
<td>0% 10 (48%) 7 (33%) 3 (14%) 0% 1 (5%)</td>
<td>1</td>
<td>1.81</td>
<td>0.27</td>
<td>10</td>
</tr>
<tr>
<td>Tax compliance costs</td>
<td>0% 11 (52%) 8 (38%) 1 (5%) 0% 1 (5%)</td>
<td>1</td>
<td>1.67</td>
<td>0.31</td>
<td>11=</td>
</tr>
<tr>
<td>Registration and compliance with the Department of Labour</td>
<td>0% 14 (67%) 2 (10%) 4 (19%) 0% 1 (5%)</td>
<td>1</td>
<td>1.67</td>
<td>0.28</td>
<td>11=</td>
</tr>
<tr>
<td>Costs of registration and licenses</td>
<td>0% 13 (62%) 6 (28%) 1 (5%) 0% 1 (5%)</td>
<td>1</td>
<td>1.57</td>
<td>0.27</td>
<td>13</td>
</tr>
<tr>
<td>Average MS (composite score)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
and the outsourcing of specialists in strategic planning which are too expensive.

Lack of training in business skills, lack of functional planning, and lack of existing strategic planning processes, ranked as the bottom-three, have a MS <1.00 to ≤1.80, indicating that these challenges do not affect NEQSFs at all. The modes of these three challenges is one (1), which are considered not to affect NEQSFs from securing tenders at all.

The average mean of 3.03 demonstrates that external challenges in macro-environment somewhat affect NEQSFs in securing tenders in South Africa.

Table 3 reflects that political corruption and influence in the awarding of tenders, lack of political stability, insufficient government support, and outrageous discounting of professional fees by other firms are ranked as the top three, with insufficient government support and outrageous discounting of fees sharing a ranking of 3. A MS ranging between MS range >4.20 to ≤5.00 indicates that owners/directors of NEQSFs perceive these barriers to affect their firms to a very large extent. The standard deviations of the top-three ranked macro (external) challenges are 1.72, 1.51, 1.19 and 1.41, respectively. This indicates that the responses were all reasonably closely grouped together. The modes of the top-three challenges are all 5, indicating that the respondents consider all of them to affect their firms to a ‘very large extent’.

Recession in the economy, high inflation rates and cuts in budget for infrastructure spending ranked 6, 7 and 8, respectively, have a MS ranging between MSs >2.60 to ≤3.40 , indicating that, according to owners/directors of NEQSFs, these barriers affect their firms to a ‘moderate extent’. The standard deviations of these challenges, which affect NEQSFs to a ‘moderate extent’, were 0.49, 0.43 and 0.47, respectively. This indicates that the responses were all extremely closely grouped together. It may be assumed that most of the directors had the same view. The mode for both recession in the economy and cut in budget for infrastructure spending is three (3), which indicates that respondents consider them to affect their firm to a ‘moderate extent’, while high inflation rate with a mode of one (1) indicates that respondents consider it to not affect their firms at all.

Tax compliance, registration and compliance with the Department of Labour and costs of registration and licences, which are ranked as the bottom-three have MSs ranging between <1.00 to ≤1.80, indicating that these barriers do not affect NEQSFs from securing tenders at all. The standard deviations of the bottom-three ranked
were 0.31, 0.28 and 0.27, respectively. This is considered to indicate that the responses are extremely closely grouped together. The modes of all the bottom-three ranked challenges are one (1), which are regarded as not affecting the respondent’s firms from securing tenders at all.

Considering Tables 2 and 3, the results show that the majority of the top-three ranked challenges of both the micro- and macro-environment, which all have an MS of >4.20 to ≤5.00 (very large extent) have to do with statutory laws, government policies, and lack of a conducive business environment for newly established businesses. Although the micro-environment is considered to have aspects of the firm over which the entrepreneur has full control, as attested to by Mahadea and Pillay (2008: 433), in this case the internal aspects of the business such as brand awareness and marketing are more regulated and controlled by the SACQSP rather than the norm of being decided upon by the business owner. This result agrees with Annunike (2011: 12); as his findings showed that the majority of business failure, stagnant growth and underdevelopment is underpinned by rigid regulatory laws that do not present an enabling business environment. The result also agrees with Barron’s (2011: 7) statement that South African government policies promote small business, but has provided hardly any support for SMMEs.

The results displayed in Tables 2 and 3 show that financial challenges and barriers, with the majority being ranked in the bottom-three, do not affect NEQSFs to a ‘very large extent’ and a ‘large extent’; they only affect NEQSFs from a ‘moderate extent’ to not affecting the NEQSFs at all. This is contrary to Mokoena’s (1998: 16) statement, cited in Nieman and Nieuwenhuizen (2009: 35), that many newly established businesses fail to perform, due to lack of finance being the main reason. On the other hand, it is in agreement with Mashimbye (2016) who mentions that not having access to finance is not a major challenge for NEQSFs. This is an encouraging result, as it reproofs that one does not need high monetary capital to establish a new QS firm.

4.3 Enhancement possibilities of NEQSFs to enable them to secure tenders in South Africa

Table 4 indicates the importance which certain factors can contribute to the enhancement possibilities of NEQSFs in securing tenders in South Africa. The responses are tabulated in terms of percentage responses to a range of 1 (not important) to 5 (very important), and a MS with a minimum value of 1.00 and a maximum value of 5.00.
Table 4: Enhancement possibilities of securing tenders

<table>
<thead>
<tr>
<th>Enhancement possibilities for new firms</th>
<th>Not important – (5) Very important</th>
<th>Mode</th>
<th>MS</th>
<th>Std. Dev.</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency in the awarding of tenders</td>
<td>0% 0% 0% 0% 1 (5%) 20 (95%)</td>
<td>5</td>
<td>4.95</td>
<td>1.93</td>
<td>1</td>
</tr>
<tr>
<td>Clients need to provide detailed information with regard to projects</td>
<td>0% 0% 1 (5%) 0% 1 (5%) 19 (90%)</td>
<td>5</td>
<td>4.81</td>
<td>1.83</td>
<td>2</td>
</tr>
<tr>
<td>Beneficial network board to promote QS JVs/Consortium so that established firms can help new firms</td>
<td>0% 1 (5%) 0% 0% 2 (10%) 18 (86%)</td>
<td>5</td>
<td>4.71</td>
<td>1.61</td>
<td>3=</td>
</tr>
<tr>
<td>Accountability in public sector procurement</td>
<td>0% 0% 1 (5%) 0% 3 (14%) 17 (81%)</td>
<td>5</td>
<td>4.71</td>
<td>1.72</td>
<td>3=</td>
</tr>
<tr>
<td>Abolishing the discounting of professional fees</td>
<td>0% 0% 1 (5%) 0% 4 (19%) 16 (76%)</td>
<td>5</td>
<td>4.67</td>
<td>1.51</td>
<td>5</td>
</tr>
<tr>
<td>Viable strategic planning</td>
<td>0% 0% 0% 3 (14%) 2 (10%) 16 (76%)</td>
<td>5</td>
<td>4.62</td>
<td>1.50</td>
<td>6</td>
</tr>
<tr>
<td>Effective quality management</td>
<td>0% 0% 0% 3 (14%) 3 (14%) 15 (72%)</td>
<td>5</td>
<td>4.57</td>
<td>1.40</td>
<td>7</td>
</tr>
<tr>
<td>Open and effective competition</td>
<td>0% 0% 1 (5%) 3 (14%) 2 (10%) 15 (71%)</td>
<td>5</td>
<td>4.48</td>
<td>1.40</td>
<td>8</td>
</tr>
<tr>
<td>Entrepreneurship skills training</td>
<td>0% 0% 1 (5%) 4 (19%) 2 (10%) 14 (66%)</td>
<td>5</td>
<td>4.38</td>
<td>1.30</td>
<td>9</td>
</tr>
<tr>
<td>Mentoring system to jump start new firms</td>
<td>0% 0% 1 (5%) 3 (14%) 5 (24%) 12 (57%)</td>
<td>5</td>
<td>4.33</td>
<td>1.11</td>
<td>10</td>
</tr>
<tr>
<td>The ASAQS to liaise with financial institutions to help newly established firms secure loans</td>
<td>0% 0% 9 (43%) 7 (33%) 2 (10%) 3 (14%)</td>
<td>2</td>
<td>2.95</td>
<td>0.43</td>
<td>11</td>
</tr>
<tr>
<td>Tax rebate incentives</td>
<td>0% 3 (14%) 5 (24%) 10 (47%) 2 (10%) 1 (5%)</td>
<td>3</td>
<td>2.67</td>
<td>0.51</td>
<td>12</td>
</tr>
<tr>
<td>Average MS (composite score)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.32</td>
</tr>
</tbody>
</table>
In terms of transparency in the awarding of tenders, clients need to provide detailed information regarding projects, beneficial network board to promote QS JVs/Consortium in order for established firms to assist new firms and accountability in public sector procurement ranked as the top-three with the factors; beneficial network board to promote QS consortiums and accountability in public sector procurement sharing the ranking three (3) all have a MS ranging between >4.20 to ≤5.00, which indicates that owners/directors of NEQSFs perceive that these factors are very important for enhancing their chances of securing tenders in South Africa. The standard deviations of the top-three ranked factors were 1.93, 1.83 and 1.61, respectively, indicating that the responses are grouped reasonably closely together. However, it does point towards the responses being moderately varied. The mode of the top-three factors is 5, which indicates that the respondents consider all of the top-three factors to be ‘very important’.

The ASAQS to liaise with financial institutions to help NEQSFs secure loans and tax rebate incentives has a MS >2.60 to ≤3.40, indicating that owners/directors of NEQSFs perceive these to be of medium importance for enhancing their chances of securing tenders in South Africa, which are also considered to be the bottom-two factors. The standard deviations of these factors are 0.43 and 0.51, respectively. This indicates that the responses were all extremely closely grouped together. The modes of these factors were 2 and 3, respectively, which indicates that respondents consider liaising with financial institutions to help NEQSFs secure loans as ‘of little importance’, and tax rebate incentives as ‘of medium importance’.

The average mean of 4.32 demonstrates that enhancement possibilities in securing tenders is very important for new firms in South Africa.

5. Conclusion and recommendation

The purpose of the research was to determine challenges that hinder owners of NEQSFs from start-up and growing their businesses. This research also sought to reveal gaps to be filled in order to place these newly established firms on a higher platform to enable them to operate and to be in a position to compete with other firms.

With reference to the literature, Annunike (2011: 33) suggests that the imminent challenges faced by QSFs are ancient business practices and structures that no longer meet the present needs of clients; incompetent personnel, due to lack of continuous professional
development training: inability to inspire and withhold capable specialists, as well as inefficient operational resources. The results of the research, however, proved these challenges to be questionable. It was interesting to note that “lack of existing strategic planning processes and lack of proper functional planning” were rated as two of the bottom-three micro-environmental challenges, whereas “lack of key personnel” was found in the top-three ranked challenges.

The results from the current research indicate that the most prominent macro-environmental challenge experienced by NEQSFs is “political corruption and influence in the awarding of tenders”, rather than “low fees charged by other competitors”, which was based on research findings conducted by Nyamagere (2010). According to the results, the most prevalent barrier of the public procurement sector was “favour large and established businesses”.

This agrees with the research findings conducted by Nyamagere (2010). This challenge has led NEQSFs not to fully utilize their professional potential in the construction industry, as they face difficulties with respect to job acquisition due to their unpopularity.

The respondents indicated that it is very important that there is transparency in the awarding of tenders, as they believe that this will enhance their possibilities of securing tenders in the South African market. They also acknowledge that having tax rebates is not that important; they would rather have a conducive procurement system which supports and promotes the development of new firms. It is, however, acknowledged that failure to secure tenders cannot be attributed to one challenge and that, often, related challenges impact on the successful securing of tenders by NEQSFs in South Africa.

The SACQSP and the Government of South Africa should collaborate so as to realise common ground for the development of NEQSFs and the abolishment of their core challenges such as corruption and the outrageous discounting of fees. It is primarily the key function of the SACQSP to create and ensure a conducive working environment in order to nurture the profession and bring its performance gain in the market.

References


Mashimbye, R. 2016. (Branch Manager of QS Consulting firm). Personal communication on the challenges faced by newly established firms. Port Elizabeth, 7 April.


Shikwambana, R.S. 2016. (Managing Director of QS Consulting firm). Personal communication on the challenges faced by newly established firms. Port Elizabeth, 18 February.


