DEVELOPMENT OF EFFECTIVE SOLUTIONS FOR THE IMPLEMENTATION AND MANAGEMENT OF OWNER-DRIVER SCHEMES IN THE PROVINCE OF THE EASTERN CAPE

by

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PORT ELIZABETH TECHNIKON

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DECEMBER 2001
DECLARATION

“I, Sanjiv Ranchod, hereby declare that:

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2. This thesis / dissertation is being submitted in partial fulfillment of the requirements for the degree of Masters in Business Administration.

3. This thesis / dissertation is the result of my own independent work / investigation, except where otherwise stated. Other sources are acknowledged by complete referencing. A reference list is attached.

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Date:  28 December 2001
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<td>OWNER-DRIVER</td>
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<td>SAB</td>
<td>SOUTH AFRICAN BREWERIES</td>
</tr>
<tr>
<td>USA</td>
<td>UNITED STATES OF AMERICA</td>
</tr>
<tr>
<td>SA</td>
<td>SOUTH AFRICA</td>
</tr>
<tr>
<td>OEM</td>
<td>ORIGINAL EQUIPMENT MANUFACTURER</td>
</tr>
<tr>
<td>DTI</td>
<td>DEPARTMENT OF TRADE AND INDUSTRY</td>
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<tr>
<td>AIDS</td>
<td>ACUTE IMMUNE DEFICIENCY SYNDROME</td>
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<td>RTA</td>
<td>ROAD TRANSPORT ASSOCIATION</td>
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CHAPTER 1

INTRODUCTION, PURPOSE AND IMPORTANCE OF THE STUDY.

1.1 INTRODUCTION

During the past decade, companies have examined their core business, and anything that was not related to this, or did not add value to their product, was outsourced. One of the functions which fell into this category was the distribution operation, or more commonly known as transportation (in and out bound).

In many instances, the distribution function was given up for tender, and specialised transport businesses, called third party logistic providers, whose core business was transport, were given the opportunity of taking over the distribution function. Some progressive companies went a little beyond the traditional approach and created opportunities for their own employees to be involved in the newly created, outsourced distribution network. This was largely an empowerment opportunity, with the aim of creating SME’s (Small-Medium-Enterprises), and providing people from a previously disadvantaged background (black people and other ethnic minorities) the opportunity to go into a business enterprise for themselves.

The latter, although, politically the correct thing to do, simultaneously created opportunities and problems. Many of the companies that empowered their own employees, through Owner-Driver schemes, used the driving competency levels as the main criteria for the transition process. The other required skills were often overlooked or ignored. This empowerment process was driven to promote “Black Economic Empowerment”, an important national imperative.
Although this process was an honorable gesture on the part of many companies, the process often took place without much foresight. The viability and long-term continuity of the business were not taken into account. It is the researchers personal view, based on interviews with O-D’s and companies operating O-D schemes that the O-D’s which were empowered to operate their own business ventures, had limited or insufficient business skills and the very businesses that were given to them to improve their lifestyle were at risk of becoming unviable enterprises. This is clearly evident in some of the schemes being operated by companies such as Autonet and South African Breweries (hereinafter referred to as SAB). Other Eastern Cape companies that operate Owner-Driver schemes include Italtile, Shatterprufe and Ready Mix Materials (hereinafter referred to as RMM), and according to Management consultants spoken to, have obtained mixed levels of success with their schemes. The above schemes were confirmed with the various companies mentioned.

1.2 FACTORS IMPACTING ON THE O-D BUSINESS

Based on interviews conducted with prominent sources in the distribution business, many reasons can be attributed to the partial success achieved in implementing O-D schemes, some of these being:

- The very business or company which promoted O-D’s was occasionally exploiting them. Examples of this would include more loads, resulting in additional kilometers being driven, more than the average that would have been covered on the company’s
own trucks. Consequently there was accelerated mechanical wear on the vehicle and its components, the resulting in additional maintenance costs.

- O-D’s were expected to manage their business according to standard business practice, without being given the skills to do so.
- O-D schemes were being used as a more economical method of distribution. Because the vehicle was now off the asset register, and technically off the balance sheet, the distribution function could now be done at a more competitive rate than with in-house transport. Also, O-D’s were, in some instances being paid unrealistic rates, which would not be viable in the long term.
- Productivity related schemes, where income was derived directly from the kilometers driven, resulted in fatigue of the driver or co-driver, and as a result, accidents occurred.
- O-D’s, because of the increase in income due to the above, became complacent and often took more time off from the truck / business than is allowed.
- Due to the O-D’s wanting to take more time off, the use of substitute drivers became more common practice in order to continue with the distribution operation.
- Incorrect vehicle specification for the particular type of work to be carried out by the vehicle, led to abnormally high repair and maintenance costs because of the unsuitability for the designated operation.
- Commercial vehicle manufacturers / distributors having insufficient knowledge or expertise regarding technical the aspects of the products being marketed. e.g. vehicles operating according to European standard maintenance schedules and not adapted to African conditions.
• Due to exchange rate fluctuations, particularly between the South African Rand and the US dollar and Euro, maintenance and parts costs had an impact on the profitability of the business, due to continuous price increases in spare parts.

• The rates negotiated were sometimes not economical for the O-D to operate the business.

• Unwillingness of mainstream financial institutions to support Owner-Driver schemes.

• The impact of AIDS / HIV, due to the geographical movement of trucks, contributing to the spread of the disease.

O-D’s enter the distribution business with their primary skill, namely the driving skill only. This is insufficient for the purpose of conducting a business, as most of the O-D’s have never been in business before and are unprepared for operating in a business environment. The primary reason for providing the opportunity to previously disadvantaged people, is for the purpose of empowerment, the creation of SME’s and to outsource the distribution function.

1.3 MOTIVATION FOR THE O-D SCHEME

Most of the companies which have implemented the O-D scheme, have done so because of the productivity improvements that are thought to have resulted from outsourcing their distribution. From the sources interviewed, consensus was reached that O-D schemes do improve productivity for the company implementing the scheme. The O-D scheme can be likened to that of a franchise, where the former employee is now empowered to manage his own business and endeavor to apply capitalistic principles in order to earn a living. In
certain instances, where O-D schemes are being implemented, it is aligned to the corporate strategies to improve the company’s performance, thus focusing on the company’s core competencies. By so doing, managers are able to concentrate their efforts on their areas of expertise.

One of the uncertainties in the O-D scheme is the fact that the O-D’s do not fall under the Labour Relations Act of 1995, as they are classified as sub-contractors. Legislation places a further burden on O-D’s in terms of complying with Acts, such as the Basic Conditions of Employment Act applicable in instances where it employs workers. Many of the O-D’s have little or no knowledge about this discipline, and often fall foul of the Law in this regard. This has resulted in unnecessary wastage of time and money in mediation or arbitration with organisations such as the Council for Conciliation, Mediation and Arbitration (CCMA). Although not much is known or documented about O-D schemes, this paper will endeavor to identify:

(a) reasons why companies switch to O-D schemes
(b) perceptions of the O-D scheme from the participants themselves
(c) methods of implementation and the advantages and
(d) disadvantages of the various schemes as implemented by some companies.

1.4 THE SOUTH AFRICAN O-D SCENARIO

O-D schemes are not an entirely new concept. The concept is popular in Europe, particularly in the United Kingdom (UK) and in the United States of America (USA),
where it is called the Owner-Operator scheme. The difference between the South African version in comparison to the overseas models, is that the South African O-D scheme has more stability because it guarantees a fixed period, thereby ensuring continuity of work. The overseas O-D’s operate largely as independent sub-contractors, looking for freelance work, having to find work themselves wherever opportunities arise in the transport market. According to Jack Roeser (www.logistics-aug.com), interviewed by the researcher, these independent sub-contractors usually travel extensively throughout Europe, picking up return loads, thus ensuring that the return journey is not ‘wasted’. In the South African context, the schemes operate independently and the O-D is contractually bound to carry out work for a specific contract period. The contract in this instance is primarily between the O-D and the business for which the distribution is required. In the case of SAB’s distribution, the contract is between the O-D and SAB. In contracts such as these, no other work can be done by the O-D’s for any other third party (GSB –UCT.1998.). The major difference between the South African O-D and his overseas counterpart, is then that the overseas O-D is a free agent, without a contract, whereas in South Africa, it is contractually bound.

According to RMM, the areas where O-D’s have been financially negatively affected are linked to the state of the specific business at the time. In the case of RMM, poor weather affects the building trade, which in turn affects the business of RMM, having a direct impact on the independent transporter. Another example is that of SAB, where due to fluctuations in projected volumes and other external factors, the O–D’s are directly affected by volumes distributed being lower. Factors such as these have a financial impact on the business of the transporter, which are beyond their control.
From the information provided, it is clear that the O-D business is not as easy to successfully implement as it seems. Many of the candidates entering the scheme are led by the perception that they will increase their level of income. This is not always the case. Although the business income is productivity based, the level of income generated is largely dependant on the workload, which is available to the transporter or distributor. Depending on the type of business, sales, weather and cyclical or seasonal factors are external influences, which the O-D has no control over. These factors will also directly affect the business turnover.

1.5 STATEMENT OF THE PROBLEM

New recruits into the Owner-Driver scheme now appear to realise that the driving skills they possess is no longer sufficient in their business and they have to learn additional skills and broaden their knowledge of business related issues. Although the previous experience gained in driving skills does stand them in good stead, there are other aspects which impact upon their careers as O-D’s.

Due to the infancy of the O-D scheme in South Africa, there are no real requirements or guidelines that govern what the competencies of an Owner-Driver should be. Those that do exist, vary from company to company. The SAB does have a competency guide which represents what they would like their O-D’s to adhere to, but this refers more to their performance with the SAB. The SAB standards, according to their competency guide are to:

- Perform deliveries;
• Operate delivery vehicles;
• Practice sound business principles;
• Manage employees;
• Work in teams;
• Ensure a safe, healthy and risk free working environment.

It is clear from the above introduction and background to O-D schemes that they can ruin the business of a budding entrepreneur, especially one which is not adequately prepared nor has sufficient business skills to enter the scheme. As stated before, a good driver does not necessarily make a good O-D.

This overview of O-D schemes leads to the staking of main problem, which is:

**WHAT ARE THE PROBLEMS ASSOCIATED WITH THE IMPLEMENTATION OF THE O-D SCHEMES IN THE EASTERN CAPE AND WHICH EFFECTIVE SOLUTIONS FOR O-D MANAGEMENT AND IMPLEMENTATION CAN BE DEVELOPED?**

Based on the above main problem, the following sub- problems can be identified:

• How does the business environment impact on the O-D business firm?
• What competencies and skills are required by an individual to be an entrepreneur and start up an O-D business?
• What role can a third party business advisor play in assisting the O-D business with the efficient management of the firm?

• How can O-D schemes be effectively implemented?

1.6 DELIMITATION

To ensure that the research project is of a manageable size, it has become necessary to demarcate the research to a specific geographic area. By so doing, it does not imply that the research is not applicable to other geographic regions. Although some of the information pertaining to some of the O-D schemes is obtained from other regions, due to the companies being national organisations, the research and implementation of plans are primarily limited to the Eastern Cape.

1.7 DEFINITION OF KEY TERMS

(a) Owner-Driver

The O-D is empowered to own his own transport or distribution business. This has come about as a result of the outsourcing strategies and providing opportunities for those people who were from a previously disadvantaged background. In most of the instances used in this research project, the Owner-Driver has been employed with the company who has provided him / her with this opportunity. (GSB – UCT.1998.)
(b) **Empowerment**

Clutterbuck (1994:12) defines Empowerment as “encouraging and allowing individuals to take personal responsibility for improving the way they do their jobs and contribute to the organisation’s goals.” Other definitions, according to Clutterbuck include:

- “finding new ways to concentrate power in the hands of the people who need it most to get the job done – putting authority, responsibility, resources and rights at the most appropriate level for each task.”
- “creating the circumstances where people can use their faculties and abilities at the maximum level in pursuit of common goals, both human and profit orientated.
- “the controlled transfer of power from management to employee in the long – term interest of the business as a whole.”

The definition offered by Blanchard, Carlos and Randolph (1999:5) is that “empowerment is a cutting edge technology that provides both the strategic advantage companies are seeking and the opportunity people are seeking. It is the means for involving team members as business partners in determining company success or failure.” Empowerment can assist any leader (who is willing to make some key changes) to tap the knowledge, skills, experience, and motivation of every person in the company.

(c) **Outsourcing**

According to Rotheray and Robertson (1995:4) outsourcing means finding new suppliers and new ways to secure delivery of raw materials, goods, components and services. A further definition could be that of a service provided by an outside company acting as an extension of the company’s business but responsible for it’s own management. Finally
outsourcing can also be defined as employing an outside agency to manage a function formerly carried on inside a company. (Rotheray and Robertson, 1995:4).

In simple terms, outsourcing can be defined as giving away parts of the business that do not form part of the core business.

(d) Contract

In this context, the contract would refer to a legal service level agreement whereby the O-D (distributor) is contractually bound to the supplier (manufacturer) to fulfill certain obligations in terms of the distribution of a specific product. The contract would stipulate rate of payment, obligations etc. and would be valid for a specific duration of time.

(e) SME

The above term is an abbreviation for Small and Medium Enterprises. This type of business is operated by an individual with employees numbering between two and twenty. According to Madi (1997:10), well established organisations need to actively seek out these small, usually fledgling businesses and help them to grow by providing them with contracts.

1.8 RESEARCH METHODOLOGY

In order to achieve the desired objectives of the study, both primary and secondary sources of information were used.

The necessary information regarding competencies, skills and traits in order to be a successful O-D was obtained from a literature study. Where possible, recent information
from publications was used for the purposes of research. Due to the nature of the O-D business, people involved from both a management company and the Owner-Driver itself were interviewed to obtain the necessary information. Due to this paper being biased toward a qualitative approach, information obtained was sourced from observations, interviews and historical records. As part of the quantitative study, a questionnaire was also developed in order to support qualitative study. A few being given to O-D’s within the selected geographical area, and due to the unsophisticated nature of the respondents, the questionnaire was completed by the researcher through personal interviews, posting and faxing of the questionnaire or where this was not possible, by telephonic means. The form of reasoning in the analysis adopted is inductive.

1.8.1 Comparing Quantitative and Qualitative Approaches

Creswell is quoted in Leedy (1997:104) as saying that a quantitative study is an enquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers and analysed with statistical procedures, in order to determine whether the predictive generalisation of the theory holds true. He further states that, in contrast, a qualitative study is an enquiry process of understanding a social or human problem, based on a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting.

In the quantitative approach, the researcher would deduce and test the implications preformed hypotheses, or in the case of a qualitative approach, induce hypotheses from
his or her own observations. The differences between the two approaches are listed in Table 1.1.

A more qualitative approach was used so that the research undertaken was corroborated by the research and findings of the results of the O-D questionnaire. By so doing, further credibility was added to the research document.

1.8.2 Deciding between quantitative and qualitative research

An important choice that researchers face is the research method to be used. Leedy (1997:145) believes that the answer to this question can be found in the nature of the data and the problem of the research, the location of data, how the researcher intends to get the data, and what the researcher intends to do with the data. If the data is verbal, the methodology is qualitative, if it is numerical, the methodology is quantitative.

Leedy (1997:143) describe a situation where it may be possible to combine qualitative research methods with quantitative ones in the same research project. This process is called triangulation. There is not much attention that is given to this process of combining methods. These interactions between methods are illustrated in Figure 1.1.

The methods of research used for this document included:

- Unstructured Interviews
• Observations within the transport industry
• Internet research
• Historical data
• Industry reports
• Interest group reports
• NGO Reports

Figure 1.1 Interaction between quantitative and qualitative research

THE METHODOLOGY OF RESEARCH

- Qualitative research
  (Data principally verbal)
  - Participant observation
  - Case studies
  - Historical studies
  - Unstructured interviewing

- Quantitative research
  (Data principally numerical)
  - Surveys
  - Experiments
  - Quasi-experiments

Triangulation
A compatibility procedure designed to reconcile the two major methodologies by electically using elements from each of the major methodologies as these contribute to the solution of the major problem

Source: Adapted from Leedy (1997:145)

This research project uses a combination of both qualitative and quantitative methods as the research consists of personal interviews and the feedback obtained used as a method
to validate the findings of the research. Table 1.1 outlines the methodologies used in both
the qualitative and quantitative approaches.

**Table 1.1** Qualitative vs Quantitative Approach

<table>
<thead>
<tr>
<th>Question</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is the purpose of the research?</strong></td>
<td>To explain and predict</td>
<td>To describe and explain</td>
</tr>
<tr>
<td></td>
<td>To confirm and validate</td>
<td>To explain and interpret</td>
</tr>
<tr>
<td></td>
<td>To test theory</td>
<td>To build theory</td>
</tr>
<tr>
<td><strong>What is the nature of the research process?</strong></td>
<td>Outcome orientated</td>
<td>Process orientated</td>
</tr>
<tr>
<td></td>
<td>Focused</td>
<td>Holistic</td>
</tr>
<tr>
<td></td>
<td>Known variables</td>
<td>Unknown variables</td>
</tr>
<tr>
<td></td>
<td>Established guidelines</td>
<td>Flexible guidelines</td>
</tr>
<tr>
<td></td>
<td>Static design</td>
<td>Emergent design</td>
</tr>
<tr>
<td></td>
<td>Context free</td>
<td>Context bound</td>
</tr>
<tr>
<td></td>
<td>Detached view</td>
<td>Personal View</td>
</tr>
<tr>
<td><strong>What are the methods of data collection?</strong></td>
<td>Representative, large sample</td>
<td>Informative, small sample</td>
</tr>
<tr>
<td></td>
<td>Standardised instruments</td>
<td>Observations, interviews</td>
</tr>
<tr>
<td><strong>What is the form of reasoning used in the analysis?</strong></td>
<td>Deductive</td>
<td>Inductive</td>
</tr>
<tr>
<td><strong>How are the findings communicated?</strong></td>
<td>Numbers</td>
<td>Words</td>
</tr>
<tr>
<td></td>
<td>Statistics, aggregated data</td>
<td>Narratives, individual quotes, personal voice, literary style.</td>
</tr>
<tr>
<td></td>
<td>Formal voice, scientific style</td>
<td></td>
</tr>
</tbody>
</table>
1.9 IMPORTANCE OF THE STUDY

In South Africa, the small business sector constitutes a large portion of the economy. Approximately ninety-eight percent (98%) of all retail businesses in South Africa are classified as small businesses, and these contribute about seventy percent (70%) of the total retail sales of the country. (Kroon & Moolman, 1991:143).

Trevor Manuel, the Minister of Trade and Industry (SME – A guide to the Economy - 1995:3) stated that “since the elections of April 1994 the issues of economic empowerment and growth have been placed high on the agenda of the Government of South Africa. With millions of South African unemployed, the Government has no option but to give its full attention to the fundamental task of job creation, and generating sustainable and equitable growth”. In addition, SME’s represent a medium by which the challenges of job creation, economic growth and equity in this country could be fulfilled. It was the Ministers view that SME’s, throughout the world are playing a role in absorbing labour, creating new markets and generally expanding economies in creative and innovative ways. Madi (1997:10) quotes Clem Sunter as saying that SME’s represent a dual logic economy.(SME – A guide to the Economy - 1995:3) This refers to the Japanese model where there is a huge army of small companies that are virtually permanent suppliers to the huge conglomerates. It is further stated that the dual logic economy has now been clothed mostly in black empowerment terms. Mr. Manuel’s view was that, with the appropriate enabling environment, SME’s in South Africa could follow other successful examples and make a contribution to the local economy.(SME – A guide to the Economy - 1995:4) The enhancement of SME’s should be seen as part of an integrated strategy to take the South African economy onto a higher road, one on which
the economy would be diversified, productivity enhanced, investment stimulated and entrepreneurship would flourish.

The road transport industry now plays an important role in the economy of the country, as it provides an essential link between the provider of goods and the end users. Because of the empowerment factor in the distribution business, there is a need for effective management and an awareness of the consequences of decisions on the financial position.

Of some concern, is the worldwide attention that is being focused on the failure of new small business ventures in the first years of their establishment. The State of Small Business report (1992:128) stated that two out of three new businesses created, closed their doors. Timmons (1999:33) sees a certain level of failure as part of ‘creative self-destruction’. It is viewed as part of the dynamics of innovation and economic renewal. This is a process that goes through both birth and death. Of significance, is the fact that this is regarded as part of the learning process, which makes up the entrepreneurial apprenticeship. Exact figures for business failures in South Africa are not available due to a lack of reliable data. Alberts (2000:1) quotes an official of the National Business Initiative who states that nine out of ten micro and small businesses that are created, close within the first twelve months.

As the O-D scheme falls within the category of SME’s, it is vital that the business and its proprietor be given the necessary tools to ensure that the business succeeds in the long term and does not become another failure statistic. As each new business venture creates additional employment, job creation remains an integral part of the South African economy. In order for this to become a reality, various government bodies (preferably
those associated with small business development), including the former employers, need to provide the necessary training and information to the entrepreneur in order to ensure that the new business venture has every opportunity of becoming a success. Figure 1.1 illustrates the implementation model developed for the study.

1.10 A MODEL FOR THE IMPLEMENTATION OF O-D SCHEMES IN THE EASTERN CAPE.

The model consists of a three-tier approach, the key aspects of which are:

- Identification of potential candidates for the O-D scheme;
- Testing, recruiting and training of candidates;
- Support and training for O-D’s on an on-going basis.

The model developed (Figure 1.1) reflects the various external influences that impact upon the O-D firm as well as the implications that these factors have for the firm and its success. The model also deals with solutions proposed by the researcher, as well as the benefits, which these might have on the O-D firm. Each section in the diagram consists of various aspects, and these aspects are dealt with in each of the chapters.
Figure 1.2

A  UNDERSTANDING EXTERNAL FACTORS
- AIDS / HIV
- Racism
- Unco-Operative Financial Institution
- Lack of Education
- Lack of Training and Development

B  HOW DOES IT IMPACT ON THE OWNER – DRIVER BUSINESS?

C  UNDERSTANDING THE IMPACT
- Poor Management Skills
- Financial Mismanagement
- Limited Business Success
- Debt Problems
- Inability to Obtain Business Finance
- Cancellation of Contract
- No Life Insurance Cover

D  REACTING TO ENVIRONMENTAL TURBULENCE: TRAINING & DEVELOPMENT (model)
- Competencies and Traits
- Lifestyle Training and Management
- Vehicle Training and Management
- Business Management Training
- Financial Management Training
- Leadership Training
- Human Resources Training

E  Outsourcing Management Functions to Third Parties Implementation Model

F  END RESULT
EFFECTIVE SOLUTIONS FOR OWNER – DRIVER MANAGEMENT & IMPLEMENTATION
1.11 SCOPE OF THE RESEARCH

Chapter One introduces the study and highlights the relevance and importance thereof. A background is given into the various O-D schemes, with motivations of why company’s are implementing the scheme, with particular emphasis on the South African scenario.

The remaining chapters of the work set out to solve the stated main problems as well as the sub –problems mentioned in the study. A brief outline of each chapter is given below.

In Chapter 2 (Two) the various external factors that affect and influence the O-D and their businesses are reviewed, these being factors which are beyond the control of the O-D. It also deals with views from independent management companies and individuals involved in the O-D schemes. Some problems experienced by O-D’s relate to credit for capital financing and the possible solutions from the Original Equipment Manufacturers (hereinafter referred top as OEM).

In Chapter 3 (Three) the ideal scenario for the O-D is looked at in terms of what is required of him to be able to be in a situation where he has the capability to operate and manage his own business with the skills and knowledge acquired from the training obtained. It also includes the ideal theoretical characteristics of an entrepreneur, based on a literature study, the aim being that the potential candidate should match these characteristics as closely as possible.
In Chapter Four, the various management companies and business advisors are reviewed, with regard to the services they provide to the O-D as well as the administrative problems encountered by the latter. Various functions of different service providers are evaluated. Services compared provided by the traditional auditing company to that of a management consultancy, specifically that geared toward the needs of the O-D. This chapter also deals with historical data that pertains to failures of businesses as a result of the O-D not following the guidelines, as set out by the relevant management consultancy.

Chapter Five (5) deals with the quantitative study. The questionnaire which was developed dealt with specific questions relating to business and training issues affecting the O-D. The response to these questions will show that an implementation process is needed for any company embarking on an O-D scheme. It will also highlight certain shortcomings in the current schemes.

In the final chapter, a model is proposed of how the process of implementing an O-D scheme should be carried out. This chapter covers areas such as the process for identifying potential candidates, the necessary testing to be done in order to check for suitability of the candidate and various aspects of training. Training plays a significant role and encompasses lifestyle management and training, vehicle training, business management training and leadership training. The chapter also provides a summary, conclusions and recommendations.
Figure 1.2

A. UNDERSTANDING EXTERNAL FACTORS
- AIDS / HIV
- Racism
- Unco-Operative Financial Institution
- Lack of Education
- Lack of Training and Development

B. HOW DOES IT IMPACT ON THE OWNER – DRIVER BUSINESS?

C. UNDERSTANDING THE IMPACT
- Poor Management Skills
- Financial Mismanagement
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- Vehicle Training and Management
- Business Management Training
- Financial Management Training
- Leadership Training
- Human Resources Training

E. Outsourcing Management Functions to Third Parties Implementation Model

F. END RESULT
- EFFECTIVE SOLUTIONS FOR OWNER – DRIVER MANAGEMENT & IMPLEMENTATION
CHAPTER 2

THE IMPACT OF THE EXTERNAL ENVIRONMENT ON OWNER-DRIVER’S AND THEIR BUSINESSES

2.1 INTRODUCTION

This chapter, when referred to in Figure 1.2,(Block A), represents in further detail the external factors that affect a typical individual in an O-D scheme.

Many obstacles are present in the life of the O-D, which make the ability to conduct business more difficult. As with any business, there are always external influences which impact on the way business is conducted and these influences, whether they be internal or external, need to be dealt with in the appropriate manner. This will ensure that irrespective of the challenges posed, the business will continue to operate and provide the service that is intended. Because of the empowerment factor, and the fact that previously disadvantaged people are being given the opportunity to enter the small business arena, this can be seen as an opportunity in some instances to the detriment of other instances.

In this chapter, the impact of environmental factors on O-D schemes is discussed. A broad theoretical discussion on the business environment is given, followed by the specific factors that impact on O-D schemes. This chapter is primarily based on the qualitative data obtained through unstructured interviews, historical data, reports and observations. Virtually no literature on the topic is available.
2.2 THE BUSINESS ENVIRONMENT

The business environment in this instance refers to the environment in which the O-D operates his / her business.

According to Stanton et al (1996:50) external micro-environmental are classed as non-controllable forces, these external elements can be influenced to a greater degree than the macro forces.

Stanton et al (1996:53) also lists the following as some of the external macroenvironmental forces:

- Demography;
- Economic conditions;
- Competition;
- Social and cultural forces;
- Political and legal forces

Technology In this paper, the environment refers to the following:

- The party to which the O-D is contracted ;
- The vehicle and the impact the vehicle has on the business;
- Labour related issues in the form of employees and the conditions that govern their employment;
- Financial institutions and their ability to grant loans to the O-D;
• The inability to make sound business judgements due to lack of knowledge, experience and business sense;

• Statutory business payments to various state and municipal institutions;

2.3 OVERVIEW OF EXTERNAL INFLUENCES

Some of the problems that an O-D business is subjected to are different from that of any other business and are more specific. However some of the problems might be common amongst entrepreneurs venturing out in business for the first time. Some of these problems according to the Management Companies and Business Advisors spoken to are:

• The O-D being unable to obtain vehicle finance from a financial institution;

• The inability for the O-D to open a business bank account for the conducting of their business affairs due to prior judgements in their personal capacity;

• The inability to effectively manage their staff, due to cultural problems differences as well as a lack of knowledge of the Basic Conditions of Employment Act;

• The impact of HIV / AIDS on the business;

• Racism;

• Lack of training and development;

• Lack of education.

Madi (1997:93) quotes a study done by NAFCOC (National African Chamber of Commerce), the results of which were published in July 1996. These sought to establish the kinds of barriers that black entrepreneurs have to contend with upon entry into the
business world. Some of the findings were that black businesses were still being seriously
hampered by:

- The monopolistic and oligopolistic structure of the South African marketplace. Eg.
  National Sorghum Breweries vs SAB; New Age Beverages vs S.A. Bottling; African
  Bank vs. traditional commercial market. (The larger companies have the financial
  muscle to “overpower” smaller competitors)

- Discriminatory practices against small business, which is still the domain of black
  entrepreneurs.

- Unfamiliarity on the part of black entrepreneurs with established business practices.

- High deposit and collateral requirements by banks when approached for funding by
  black entrepreneurs, knowing that collateral is scarce.

- The concentration of banking facilities away from traditionally black areas.

- The Usury Act.

Based on the information provided above, it is clear that there are some common problem
areas, which seem to affect the black entrepreneur. The sections that follow contain data
obtained as part of the qualitative study.
### Fig. 2.1 Overview of External Influences

<table>
<thead>
<tr>
<th>BANKING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Obtaining Vehicle Financing</td>
</tr>
<tr>
<td>• Ability to open business banking facilities</td>
</tr>
<tr>
<td>• Discrimination against small black business entrepreneurs</td>
</tr>
<tr>
<td>• Lack of understanding of established banking practices</td>
</tr>
<tr>
<td>• High deposit and collateral required for business financing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HUMAN RELATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inability to effectively manage staff</td>
</tr>
<tr>
<td>• Lack of understanding the Basic Conditions of Employment Act</td>
</tr>
<tr>
<td>• Not following procedures regarding issues surrounding disciplinary action</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GENERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Racism still being experienced</td>
</tr>
<tr>
<td>• Lack of education</td>
</tr>
<tr>
<td>• Impact of HIV/AIDS not understood</td>
</tr>
<tr>
<td>• Insufficient Training and Development</td>
</tr>
</tbody>
</table>

Source: Researchers own construction

### 2.4 FORMALISING BANKING AFFAIRS – THE CHALLENGES

Sources at Autonet and SAB have mentioned that a major challenge was created when many of the newly elected O-D’s had judgements against them, resulting in banks not granting credit facilities. The problem this created was that business and personal funds were operated from the same account, the account being a savings account, from which an ATM card was used to withdraw funds. This created complications with the business portion of the account, as there was temptation to use more than what was required by the O-D for his personal use. This problem would have been avoided had the necessary checks and training been done prior to the O-D being accepted into the O-D scheme. These checks would also have identified the problem and allowed corrective action to be
taken in the form of the judgement being rescinded with the assistance of a lawyer. According to sources at SAB, this was not SAB’s problem, but was rather a problem that had to be rectified by the O-D himself in conjunction with the designated Business Advisor, by whatever means possible. This problem resulted in the business payments being made in the form of cash, which was withdrawn from an A.T.M. These included payments to staff and posed a risk in terms of the large amounts of cash being handled on a regular basis. Conditions such as these were not conducive to operating a business in the professional sense, and resulted in administrative problems in terms of keeping track of legitimate expenses.

Reconciliation of the account also proved to be a problem, as many expenses were not recorded and had to be allocated to the O-D drawings account (drawings from the business), resulting in a higher than budgeted for amounts being paid in the form of provisional tax or PAYE. This problem also resulted in insufficient funds for payment of other statutory payments such as VAT and Employees tax. In many instances, businesses, specifically relating to the SAB O-D’s, funds were misappropriated and used for purposes such as home improvements and other non-recordable expenses. This was confirmed by sources at Kalan Inc, the business management consultancy who manages some of the SAB O-D’s. In the accounting aspect, this misappropriation had to be claimed against personal drawings, resulting in higher tax being paid to the SARS. Due to poor financial management, these funds required to pay to the SARS were often not available and arrangements, then had to be made with the relevant authorities at the SARS. Experience showed that the SARS viewed the situation sympathetically, and in most of the cases, was happy to arrange split payments of outstanding debt, provided they
were reassured that a similar situation would not re-occur in the future. In the event of a further transgression, the same leniency would not apply.

2.5 LACK OF OWNERSHIP IN THE SCHEME

Lack of ownership refers to the perception of the O-D’s that they are not in control of the scheme which they participate in. Although, in the O-D scheme they are self-employed, those consulted feel as if they are employees of their previous employers and have very little influence on the way their businesses operate. As a result of this, certain fraudulent practices have taken place. The following practices are the testimony of some of the O-D’s interviewed and these practices appear to be common occurrences. They are:

- Selling diesel from their trucks’ fuel tanks to private operators for a fraction of the value, for the purpose of personal financial gain.
- Some of the Autonet O-D’s getting ‘kickbacks’ from petrol pump attendants, in the form of cash by increasing the amount and value of fuel compared to what was actually pumped into their tanks. eg. The truck fuel requirement was only five hundred rands (R 500.00), but the diesel voucher was made out for six hundred rand (R 600.00). The one hundred rand (R 100.00) difference was split evenly amongst the pump attendant and the O-D.
- Selling their cellular phones, claiming theft, and claiming from insurance for replacements, thereby acquiring the latest model.
- Monthly cellular phone costs exceeding approximately fifteen hundred rands (R 1 500.00) per month. This has been confirmed by Nashua – East London, the service provider and Kalan Inc., the management consultants for the Autonet O-D scheme.
This situation resulted from telephone conversations which were not business related. Because the cell account was paid by the management company from the O-D’s business funds, they did not feel the financial impact.

According to Johnson (1997:6) an independent contractor, such as a former employee, may be engaged to perform a specific service, which the company may describe as outsourcing. Johnson further states that as an individual, the contractor may often resemble an employee more than an outsider because the company is able to exercise considerable control over that relationship.

From the points raised above, it is clear that some of the O-D’s on the Autonet scheme were doing their own business an injustice by profiting in their personal capacities. This also indicates the failure of some of the O-D’s to realise that the business is their own.

2.6 FINANCIAL INSTITUTIONS

One of the major stumbling blocks to success, according to some of the O-D’s interviewed, is the banks reluctance to finance a second vehicle, either personal or for the purposes of expanding the business. This was in spite of the relevant financial documents being provided, proving that the business is viable and could afford the additional expense. Most of the difficulties arise when application for a commercial vehicle is made. In most instances, the applicant has a poor credit record either as a result of non-payment of accounts or due to judgements. Banks traditionally frown upon this and are unwilling to take a risk with an individual with a poor credit history or rating. As commercial vehicle finance often involves sums of between one hundred thousand to four hundred
thousand rand, one can understand the dilemma the financial institution is faced with. Sources at financial institutions (Stannic & Wesbank) spoken to have listed some of the following reasons for their reluctance to finance O-D’s or transport businesses in general.

- The value of the asset to be financed - the value of a truck is seen to be high and also the fact that this capital asset is in the hands of a single entrepreneur.

- The type of asset financed – a commercial vehicle is not a fixed asset. The risk is higher because a truck is mobile and there could be difficulty in locating it should the O-D default and the bank needs to re-possess the vehicle. Also, a fixed asset offers more in terms of security.

- The lack a credit history – this is largely due to the value of the vehicle to be purchased, and as having been employed previously, the debt burden for the O-D was not high, the biggest expense or asset being a house, which would be of moderate value.

- A poor credit history – this history would be obtained from a credit bureau and would indicate previous financial problems. The bank’s view is that if the applicant has had problems with credit in the past, this is a reflection of how his personal affairs were conducted and how they might be conducted in the future.

- Insufficient collateral – Most financial institutions require assets of a similar value to the loan being applied for. In some instances of vehicle financing, the average used
commercial vehicle is priced at three hundred thousand rands, whereas the collateral available is only approximately twenty percent of this. Also, in most instances, the house is the only form of asset available and if there is still a bond outstanding, it would be unviable.

- In some of the O-D schemes where large amounts of capital have been financed, the banks have required the manufacturer contracted to, to sign guarantees ensuring that should there be a default in lease payments or any other problem relating to payment, the manufacturer will stand surety. This was done previously by companies such as SAB. Recently however, there has been a change in policy and SAB no longer stands surety or offers any guarantees.

- Contract – a written contract needs to be provided to ensure and prove that work is guaranteed for the duration of the lease period, thereby ensuring that there is a continuous flow of income.

- The services of a third party management company of repute are utilised to ensure that the business operates on sound business principles.

2.7 POSSIBLE SOLUTIONS FROM ORIGINAL EQUIPMENT MANUFACTURERS, COMMERCIAL VEHICLE MANUFACTURERS AND DISTRIBUTORS

Some truck manufacturers have realised that the above situation hampers their ability to sell trucks and have formed an alliance with specific banks. Each manufacturer has their
own preference for a specific bank. As much as the truck manufacturer wants to sell its product, they are not in the banking business and have worked out specific criteria for the budding transporter. In the case of Iveco, a Fiat (Italy) subsidiary, they have utilised the services of Citi Bank, an American banking service that is trying to make inroads into the South African market. According to sources at Iveco, no vehicle manufacturer may refuse to sell a vehicle to a customer on the basis of his racial or previously disadvantaged background. To address these issues, Iveco SA implemented a buy back agreement with Citi Bank as a form of security to the bank, since none of the independent operators or O-D’s had the financial depth which Citi Bank required.

According to sources at Citi Bank, the default rate in South Africa is alarmingly high when compared with the default rate in first world countries such as the USA, where the default rate is less than 0.5 %. Citi Bank requirements set out in order to finance an independent operator are:

- A five year contract
- The use of management consultants to assist with business management
- Security equal to or double that of the vehicle being financed.

According to Citi Bank sources, taxi’s were sold on a monthly rental basis since the operators / O-D’s did not have the financial strength to qualify for credit facilities. Because of the stigma attached to the taxi industry and because they are regarded as dangerous, are also not maintained adequately and in many cases are not in a roadworthy
condition. Many banks have indicated that they are not willing to finance these vehicles further state that there is little to recover from a taxi if the vehicle has been repossessed.

Based on the above information, the only way for an O-D to obtain finance is with a contract and to have a management consultant as a business advisor. This would give the financial institutions the peace of mind and security they require in order to effect the deal.

2.8 THE INDEPENDENT OPERATOR

Another stumbling block relates to the inability of banks to finance an independent O-D. Independent refers to operators who do not have fixed contracts and look for work on an ad-hoc basis, as and when it becomes available. Many of the independent O-D’s interviewed in Fleetwatch (May 1997:17) feel that the banks are reluctant to help them and label them as racist. The view of these individuals is that although the government is trying to boost the SME scheme, the banks are not following suite by assisting the small businesses to develop. As a result, many of the independent O-D’s have been unable to continue with their business and have been forced to sell their assets and quit the transport business. Robert Makwena is quoted in the same magazine as saying that as his business was expanding, he required additional vehicles. The bank wanted additional collateral and was offered two hundred head of cattle as well as a fifteen acre farm. This offer was apparently rejected by the bank.
Many of the independent O-D’s also feel that they can manage the business on their own without the help of the management consultant. They are of the opinion that management consultants are out to line their own pockets, and posed a financial drawback to their business.

From the incidence above, it is clear that a difference exists between third world practices and first world requirements, and in some instances, the two do not complement each other.

2.9 INDEPENDENT MANAGEMENT COMPANY

Some of the points mentioned above were confirmed by the auditing firm of Wolmarans-Kruger. Recently (October 2000), an application was made on behalf of an SAB O-D, and all but one of the major vehicle financing institutions rejected the application. All but Stannic felt that the risk was too high and were not prepared to get involved. Stannic required a ten percent (10%) deposit, but also wanted, in addition to the O-D’s financial statements and balance sheet, the financial statements and balance sheet of Wolmarans-Kruger, the auditing company managing the business affairs of the O-D in question. The logic for this request could not be understood, the partners at Wolmarans Kruger refused to submit their business financial details. Stannic rejected the claim as a result. This left a situation where the O-D was unable to get finance for a required new or second hand vehicle. This situation impedes the progress of the O-D, due to no fault of his own and left a situation that had no clear solution.
2.10 CREDIT RELATED ISSUES

In many instances, many O-D’s have experienced financial difficulties, either through over extending their credit or not paying certain accounts on time, resulting in a poor credit rating. As this information is kept on record for between three to five years, the ability to obtain further credit for other purposes will always remain a problem. As previously mentioned, once the individual is part of the O-D scheme, the various administrative processes are effected. This includes opening up a business banking account in the name of the business, which in this case is a sole proprietor or a close corporation. In almost all instances, the bank does a credit worthiness check. According to sources at Kalan Inc., four SAB O-D’s in the Border region were declined the opportunity to open up business bank accounts. This scenario was not isolated to any one bank. Although the credit worthiness checks indicated that the amounts outstanding were under one thousand rands, and had resulted in judgements that were in most instances over two years old, the bank was nevertheless reluctant to consider the applications, as they viewed the individuals as credit risks. Motivation from management consultants and business advisors and from SAB had little effect on the motivation to open the business accounts. SAB management, according to the Distribution Manager of SAB, East London, no longer wanted to be involved in the assistance to O-D’s in order to rectify this difficult situation. The O-D was now an independent entity, and needed to do what was required by whatever means available. Lawyers were in most instances used to rescind the judgement. However the process was a long and drawn out matter which resulted in legal costs exceeding one thousand five hundred rands. It was also the opinion of some O-D’s that the lawyers were deliberately slowing the process down and were being
opportunistic by realising a potential to make money. This was evident in two instances with O-D’s, where the process took longer than four months and the request for funds to keep the process going was continuously requested.

Although the above proceedings are not the norm, they do take place once in the hands of unscrupulous people, who see an opportunity and take advantage of unsuspecting clients.

2.11 ADMINISTRATIVE RECORD KEEPING

During the above procedures, the O-D had to continue with operating the business, and managed the business affairs from a savings account operated by an ATM card. This proved to be an administrative disaster, as the designated business managers were unable to reconcile the bank account and allocate expenses to the relevant business accounts. From a financial accounting perspective, this was far from ideal. The other problem that was created was that any unexplained expenses that could not be substantiated by means of an invoice or receipt, were allocated to the O-D’s personal income, which automatically resulted in a higher level of personal income tax that had to be paid over the SARS.

2.12 MANAGING EMPLOYEES

Due to legislation in 1997, the Basic Conditions of Employment Act was implemented, and deals with the issues governing employees in the work place. The Act was seen to be fair by most of the industry. In terms of the O-D, this Act created a few problems, largely
as a result of ignorance. Due to the nature of the work, and the fact that it is productivity driven, the hours vary from week to week, and are not the mandatory 45 hours per week. In many instances, a 10 hour day and weekend work is common. According to Autonet, East London, the only employee of the O-D would be the co-driver, and the relationship between the O-D and co-driver is traditionally someone who has been known to the O-D for an extended period of time. The hours worked are therefore not normally a problem. Also, due to the nature of trucking, long working hours and extended stays away from home are anticipated.

In the case of SAB, the circumstances are somewhat different, as each O-D would have to have four to five full time employees to assist with loading and off-loading. Owing to the unpredictability of load scheduling and the business being governed by seasonal influences (weather, festive periods, etc.), there would be times of inactivity, where the hours worked would be far less than the 45 hour week. In terms of maintaining consistency, some of the management consultants, in conjunction with the O-D’s and employees, agreed to set monthly or weekly salaries, irrespective of the hours worked per week, provided the cumulative hours in the month never exceeded one hundred and eighty hours. A clause was included in the employment contract stipulating that the hours for the weeks worked would be averaged out, thus avoiding unnecessary issues such as overtime, which could have detrimental financial implications to the business, especially during its infancy. Many of the issues in the Act are beyond the comprehension of the average O-D and training has to be done between the O-D and their employees explaining what is expected of each of the parties. Some of the O-D’s have opted to pay their employees based on the hours worked per week. However this has resulted in
dissatisfaction from the employees as there is no consistency in pay from one week to the next.

2.13 THE IMPACT OF HIV / AIDS

Part of the service provided by a management company to the O-D being managed is to arrange for life cover and various other insurances. Part of this application process for life cover involves the health aspect, where HIV testing is carried out. In many of the instances, applications have been rejected due to the O-D not passing the health check-up. Further investigation, from unofficial sources in the life insurance industry have revealed that the rejection was due to the candidate being tested positive for HIV / AIDS. Although the insurance company will not reveal this information officially, due to confidentiality reasons, it is evident that this disease is widespread and in most cases the O-D’s are unaware of this fact. This poses a major threat with regard to their social life and has implications for the long-term viability of their business. Also, it needs to be borne in mind that due to no insurance cover being available, their dependants are the ones that are likely to suffer and be financially destitute when the O-D is unable to provide an income for his family. The effects of this have not yet been quantified, but it is clear that this disease will impact on the company with whom the contract is held, in the form of a discontinuance of services when the O-D is no longer able to perform his duties. At this stage, the O-D, depending on the condition of his health will be unfit for duty and risk having the vehicle repossessed by the bank due to the inability to continue lease installments. As with most AIDS awareness programs, the only way in which this disease can be curbed, is by continuous education and training by organisations with
whom the contract is held, the Department of Health and Welfare, and transport groups or bodies.

2.14 CONCLUSIONS

Many of the factors mentioned in this chapter are challenges that are beyond the scope of the O-D. As the problems are complex, there is a need for innovative solutions. The solutions need to be found through brainstorming with the management company, the O-D and the manufacturing company. In order for the O-D to progress in his business, financial institutions need to come forward with realistic solutions which facilitate the opportunity of becoming an entrepreneur. The challenge that faces both parties at this juncture is the cost of the vehicle. Also, groundwork needs to be laid down prior to the O-D embarking on the scheme, ensuring that some of the problem areas, especially that associated with credit history is cleared up, ensuring a smooth transition into the business realm.

Of critical concern, which is likely to impact on all aspects of the distribution function, is the AIDS / HIV factor. More training and education needs to be done to prevent the disease from spreading at its current rapid rate. The effect of this is that many of the drivers and O-D’s in the transport or distribution business will, in a few years be removed from the system, due to ill health, with possible dire financial consequences to both the business and the family of the O-D and the South African economy. Campaigns are undertaken, however the frequency of these awareness campaigns need to occur on a more frequent basis.
In the current scenario, the banking system does not favour a spirit of entrepreneurship. This is particularly evident in the difficulty that is experienced with many O-D who require the services of a bank to support their business endeavors. For a black entrepreneur, such as an O-D, there are significant challenges. It is understandable from the financial fraternity’s point of view, that the risk is a high one, especially in view of the capital involved, and based on the historical background of transport industry, the financial institutions view of the situation is unlikely to change. This does leave a dilemma for the entrepreneur who is serious about getting into a business of his own. Innovative schemes, in the form of guarantees and securities in the form of signed contracts or written assurances from the parties contracted to, provide the only real feasible solution to these challenges facing the O-D.
Figure 1.2

A

UNDERSTANDING EXTERNAL FACTORS
• AIDS / HIV
• Racism
• Unco-Operative Financial Institution
• Lack of Education
• Lack of Training and Development

B

HOW DOES IT IMPACT ON THE OWNER – DRIVER BUSINESS?

C

UNDERSTANDING THE IMPACT
• Poor Management Skills
• Financial Mismanagement
• Limited Business Success
• Debt Problems
• Inability to Obtain Business Finance
• Cancellation of Contract
• No Life Insurance Cover

D

REACTING TO ENVIRONMENTAL TURBULENCE: TRAINING & DEVELOPMENT (model)
• Competencies and Traits
• Lifestyle Training and Management
• Vehicle Training and Management
• Business Management Training
• Financial Management Training
• Leadership Training
• Human Resources Training

E

Outsourcing Management Functions to Third Parties Implementation Model

F

END RESULT

EFFECTIVE SOLUTIONS FOR OWNER –DRIVER MANAGEMENT & IMPLEMENTATION
CHAPTER 3

THE COMPETENCIES, KNOWLEDGE AND TRAINING REQUIRED BY AN INDIVIDUAL TO BE AN ENTREPRENEUR AND START UP AN OWNER-DRIVER BUSINESS

3.1 INTRODUCTION

This chapter, (see Block D of Figure 1.2) provides a normative / theoretical model of the competencies, skills and training required by an O-D business.

Based on the history of empowerment, and the rapid pace at which people are being empowered, it is evident that not all of the individuals who have been empowered by their previous employers, have the required attributes to be a successful business person. Most of the individuals are also not adequately prepared to cope with the additional responsibility. In many instances, they have little choice in the matter, as most of the companies such as Italtile, La Farge and SAB are moving toward O-D schemes and the whole distribution function is being outsourced.

As mentioned previously, most schemes operating at present have recruited O-D’s from within their own ranks. i.e. the O-D has been an employee of the company and, normally based on his track record and standing with the company, this has formed the basis for the motivation to uplift the individual from employee status to that of a independent operator, viz. the O-D. Companies such as Italtile, SAB and Autonet have all adopted this process. According to sources at Autonet, the Autonet O-D’s were chosen, from those who wanted
to become O-D’s. No selection criteria was used to select these individuals when the scheme was implemented. According to the Distribution Services manager of SAB – Port Elizabeth, O-D’s were selected based on their competence as drivers whilst in the employment of SAB, and almost all of the candidates chosen, were taken from within the company. SAB is phasing out it’s employees who are drivers and outsourcing the distribution function. By so doing, most of the current employees who are drivers stand a better than average opportunity to become an O-D, provided that they are willing to do so. Those who do not wish to pursue this option will be absorbed into other areas of the company.

This chapter outlines the competencies, knowledge, skills and training required by O-D’s at the start up phase of their business. Qualitative data is integrated with the theory on the training and development. In Figure 3.1, a model of the training requirements for the O-D scheme in Phase one (1) and two (2) is discussed in further detail. Phase one (1) is the initial start up phase, the duration of which could be between one and two years, where the O-D begins as an entrepreneur. Phase two (2) is closely linked to phase one (1) and is largely based on the progress made during the initial phase. If the O-D was not successful during phase one (1), the contract is terminated. However if the business was successful, phase two (2) of the business is entered into, where more business training would be required and a vehicle purchased.
Figure 3.1

Training Requirements in Phase 1 and Phase 2 of the O-D scheme.

Source: Researcher’s own diagram

Figure 3.1 represents an overview of phase 1 and phase 2 of one of the O-D schemes currently in existence. Training is provided through each phase and if the O-D does not
meet the expectations and the business is not financially viable at the end of phase 1, the contract is terminated and services of the O-D no longer required. Should he be successful in phase 1 at the end of the period, he moves forward to phase 2 and further training is done to enhance his business skills and for the O-D to be more independent in terms of understanding business principles, especially in relation to his own business. The training as indicated in the diagram would be provided by the business advisor servicing the O-D.

3.2 INITIAL TRAINING

According to Cirrus / Excelsa, a management consultancy, SAB would utilise the services of a third party business advisor to do ongoing training once the O-D’s are operational. The training would be based on SAB’s training modules and would be course specific. Some of the modules in Stage One are:

- The reason for the Owner-Driver programme.
- The Owner-Driver agreement.
- Agreements needed to run a business.
- Legal requirements to consider in a business.
- An introduction to payment standards.
- Human Resources Management.

The modules in Stage Two deal with:
• Recruitment and selection.
• Conditions of work and legal requirements.
• Employee grievances.
• Disciplinary enquiry.
• The Council for Conciliation, Mediation and Arbitration. (C.C.M.A.)
• Summary of SAB’s payment to Owner-Drivers.
• Road Traffic Legislation: The Road Traffic Act, 1989 including the Road Transport Quality System.
• Basic record keeping and cash management.
• Income tax – Summary.

3.3 FOLLOW UP TRAINING

Stage two (2), of the O-D training module, as described above, would be linked to phase two (2) in the career of the O-D, when he has accumulated sufficient capital to allow the O-D to pay a deposit and purchase his own vehicle. According to the Business Advisors whose task it was to train the O-D’s on the above, the problem encountered was that many of the O-D’s did not have an understanding of the English language. This created a problem as in many instances the training session would be conducted, and the delegates would indicate that they understood the contents of the presentation, only to find out at a later stage that they did not understand anything at all. They would normally ask the other O-D’s to explain the contents of the presentation. This according to some of the presenters, is part of the culture, and is something that occurs on a regular basis, as they
do not want to embarrass themselves by asking questions. This, although part of the culture, poses problems, as progress is determined by feedback obtained.

The business concept in terms of principles, statutory requirements, and the various taxes to be paid remain difficult to grasp, as the transition from an employee to an employer is a big one. Normally, the O-D received his net salary without the concern of having to pay any additional subscriptions to any institution. Traditionally, with the caliber of individual being groomed for the O-D position, once a salary is paid into a bank account, the whole amount is withdrawn, leaving very little by way of savings or investment. With the transition to a business-person, the whole mindset has to change, as now a business account is being managed and provision has to be made for the various statutory payments normally needed in any business. Financial discipline has to be ensured for the long-term viability and continuance of the business. This aspect of the business poses a serious challenge to those managing the business on behalf of the O-D’s. Some of the options proposed by Kalan Inc., in order to ensure the financial discipline was maintained, was to keep the cheque books and issue cheques on behalf of the O-D’s. SAB was happy with this arrangement. However there was protest from the ranks of the O-D, as they felt that being O-D’s, it was their money and they needed control over their own financial affairs. Although the intentions were admirable, they were not well accepted and the idea not implemented.
3.4 CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

Table 3.1

<table>
<thead>
<tr>
<th>Personal Attributes</th>
<th>Behaviours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for achievement</td>
<td>Technically competent</td>
</tr>
<tr>
<td>Desire for Independence</td>
<td>Good grasp of business finance</td>
</tr>
<tr>
<td>Not motivated to work in large organisations</td>
<td>Willing to delegate</td>
</tr>
<tr>
<td>Ambition</td>
<td>Hard working; task orientated</td>
</tr>
<tr>
<td>Self confidence</td>
<td>Effective Leader</td>
</tr>
<tr>
<td>Future orientated</td>
<td>Self-starter</td>
</tr>
<tr>
<td>High reward expectations</td>
<td>Decisive and methodical</td>
</tr>
<tr>
<td>Tolerance for ambiguity</td>
<td>Reliable</td>
</tr>
<tr>
<td>Self-sacrificing</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Hellriegel Slocum (1996:712)

Table 3.1, as shown above is an indication of the ‘ideal’ theoretical attributes that a successful entrepreneur should endeavor to have. The personal attributes and behaviours that are mentioned are the characteristics for a person in an entrepreneurial venture and ideally, it would be appropriate for the individual who is in business or self employed to have as many of the listed characteristics as possible.

3.5 THEORETICAL BACKGROUND SKILLS

In the sections that follow an overview is given of the skills required by entrepreneurs such as O-D's.
According to Clutterbuck (1994:90), the following skills are needed for effective performance.

- **Job Skills**: the technical skills for job performance.
- **Team and Interaction skills**: such as giving and receiving feedback, handling conflict, valuing diversity, working in teams, and training and coaching other team members.
- **Quality and action skills**: such as statistical process control (SPC), training for various types of quality tools, techniques for continuous improvement, and troubleshooting, to enable team members to identify to solve problems without recourse to management.

Clutterbuck also further states that training is best provided over a period of time, rather than in one intervention.

Hellriegel Slocum (1996:712) proposes several characteristics for entrepreneurs. These characteristics are discussed below (Refer to table 3.1 on p.46):

- **Key Personal Attributes**

Although possible, changing personal attributes is not easy. These characteristics tend to be deeply ingrained and are formed over a lifetime. Some personal attributes that are related to entrepreneurial success may be worth the effort to develop. Engaging in
entrepreneurial behaviour may itself lead to the development of desired motivation and ways of thinking. Based on these characteristics mentioned, it is clear that an entrepreneur is a person who has attributes formed over a period of time and not something that can be imposed on an individual.

- **Need for Achievement**

This is a person’s desire either for excellence or to succeed in competitive situations. High achievers take responsibility for attaining goals, set moderately difficult goals and want immediate feedback on how well they have performed. Entrepreneurs strive to achieve goals and measure success in terms of what those efforts have accomplished. Entrepreneurs learn to set challenging but achievable goals for themselves and for their businesses and, when they achieve them, they set new goals.

It is important to remember that the goals set need to be attainable. Unattainable goals can lead to frustration and as do goals which offer no challenge lead to complacency according to Hellriegel Slocum (1996:713).

- **Desire for Independence**

One of the character traits of an entrepreneur is that they prefer to be independant from others. They are generally not motivated when required to perform in large, bureaucratic organisations. They have internal drive, are confident of their own abilities, and possess a
great deal of self-respect. They may also be ambitious without being concerned about social image.

- **Self Confidence**

A successful track record of accomplishment does much to improve an entrepreneur’s self confidence and self-esteem. It enables the person to be optimistic when representing the firm to employees and customers alike. Expecting, obtaining, and rewarding high performance from employees is personally reinforcing, and it provides a role model for others. Most people want an optimistic and enthusiastic leader – someone to look up to. Because of the risks involved in running an entrepreneurial organisation, having an “upbeat” attitude is essential, according to Hellriegel Slocum (1996:714)

- **Future Orientated**

Successful entrepreneurs are future and money orientated. They have high expectations for reward and use rewards as indicators of their achievements. They are optimistic but still have a reasonably objective outlook on the world in which they work. They are also tolerant of the uncertainties which they are faced with on a daily basis.
• **Self Sacrificing**

Successful entrepreneurs have to make sacrifices. This could mean giving up the occasional weekend, the vacation, and other personal luxuries such as time off. The price of success is high and they are willing to pay for it.

Hellriegel Slocum (1996: 714) has also listed key behaviors of an entrepreneur and relate to such things as habits, which they believe are easier to change than attributes. Some of the behaviours concern technical skills, interpersonal relations and decision-making. These are outlined below:

• **Technical Skills**

Entrepreneurs display a high level of technical competency, which has been achieved during the span of their careers. This would entail all aspects of a particular business to give them the confidence and resources required to take advantage of opportunities.

• **Financial Acumen**

Entrepreneurs must have the relevant information, which must be accurate, meaningful and timely in order to make sound financial decisions. Although small businessmen are not all accountants, they nevertheless need to be conversant with financial indicators. This should include an income statement, indicating a profit or loss, as well as a balance
sheet, which indicates the firms financial position and cash flow statement. These aspects of financial understanding are vital for the O-D to grasp.

- **Interpersonal Skills**

Part of being an entrepreneur requires the individual to be a good manager. The acquired skills include human and financial resources. With this, comes the ability to delegate to their subordinates in order to get a specific job or task done. At the same time, the entrepreneur must be accountable and solicit constructive feedback. Some of the successful entrepreneurs are hard working and task orientated. In most instances they are self-starters, who support their subordinates.

3.6 **PROBLEM SOLVING**

Many of the problems encountered on a day-to-day basis are behavioral related, and are usually based on the individual’s own interpretation of the problem. The problem might be real, but only exist in the mind of the customer or employee. In such cases, the entrepreneur will use a balanced approach and find a suitable solution to diffuse the problem by reaching a compromise.

- **Decision Making Skills**

Crucial decisions affecting the business need to be made quickly. These decisions are decisive and methodical as opposed to impulsive. In the entrepreneurial environment,
there is no time to develop quantitative decision models for solving operational problems. Most of the decisions made involve ‘gut feel’ or are based on trial and error, and as a result of this, quality systems are in place to ensure that issues such as technical ones are reduced.

Part of the decision making process according to Hellriegel Slocum (1996:278), involves Innovative Decision Making. This process is based on the discovery, identification, and diagnosis of unusual and ambiguous problems. These problems require alternative solutions, which are not in the mainstream of the traditional problem solving process. Some of the processes involved in the Creative Decision Making Process are:

- **Preparation:** This involves a thorough evaluation of the problem, thus ensuring that all aspects of the problem are understood. This aspect involves the searching for and collecting of facts and ideas.

- **Concentration:** All the necessary energies and resources are focused on identifying and solving the relevant problem. A commitment must be made at this stage to defining the problem and implementing a suitable solution.

- **Incubation:** This is the internal and unconscious gathering and ordering of the necessary information. It may involve an unconscious personal conflict between what is currently accepted as reality and what may be possible. A successful incubation stage results in fresh ideas and new ways of thinking about the nature of the problem and possible alternatives.
- **Illumination**: This represents the moment of discovery, where the mind connects the problem with the solution, through an observation or occurrence.

- **Verification**: This involves the testing of the solution to the stated problem. Confirmation is sought to get acceptance of the new approach or idea.

### 3.7 DOMINANT THEMES OF ENTREPRENEURS

Research done by Timmons (1999:220), based on information obtained from members of Babson College’s Academy of distinguished Entrepreneurs, concluded that there were six dominant themes for desirable and acquirable attitudes and behaviors for an entrepreneur. These are discussed and shown in Table 3.2.

- **Commitment and determination**: These two factors are seen as more important than any other one factor. With these factors, an entrepreneur can overcome incredible obstacles and also compensate for other weaknesses. Purdue is quoted in Timmons (1999:220) as saying, “Nothing, absolutely nothing, replaces the willingness to work. You have to be willing to pay the price.”

- **Leadership**: Successful entrepreneurs are experienced, including having intimate knowledge of the technology and marketplace in which they will compete. They will also have sound managerial skills and have a proven track record. Being self-starters, they will have an internal locus of control and possess high standards. Part of the traits that they possess is patience, the capability of installing tangible visions and
managing for the long haul. Besides being a teacher, he / she is a learner, a doer and a visionary.

- **Opportunity Obsession**: Entrepreneurs who are successful, are obsessed with opportunities. They are orientated to the goal of accumulating resources or money. Opportunities are pursued and evaluated. They also know their customers, industries in which they operate and the competition to an intimate degree. There is also an obsession with opportunity and this is how issues are dealt with. Every opportunity is pursued.

- **Tolerance of risk, ambiguity, and uncertainty**: As high rates of change and high levels of risk, ambiguity and uncertainty are the norm, risk, ambiguity and uncertainty are a given in a business. With any enterprise, money is always at risk, but not as much as reputation. Risks are calculated ones with no recklessness involved.

- **Creativity, self-reliance and ability to adapt**: Due to the high levels of uncertainty and the rapid changes that exist in new venture formation, fluid and highly adaptive forms of organisation are required. Quick and effective response is a must in these unpredictable situations.
### Table 3.2

**Six Themes - Desirable and Acquirable Attitudes and Behaviors.**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Attitude or Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commitment and determination</strong></td>
<td>Tenacity and decisiveness, able to decommit /commit quickly</td>
</tr>
<tr>
<td></td>
<td>Discipline</td>
</tr>
<tr>
<td></td>
<td>Persistence in solving problems</td>
</tr>
<tr>
<td></td>
<td>Willingness to undertake personal sacrifice</td>
</tr>
<tr>
<td></td>
<td>Total Immersion</td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td>Self-starter; high standards but not a perfectionist</td>
</tr>
<tr>
<td></td>
<td>Team builder and hero maker; inspire others</td>
</tr>
<tr>
<td></td>
<td>Treat others as you want to be treated</td>
</tr>
<tr>
<td></td>
<td>Share the wealth with all the people who helped create it</td>
</tr>
<tr>
<td></td>
<td>Integrity and reliability; builder of trust; practice fairness</td>
</tr>
<tr>
<td></td>
<td>Not a lone wolf</td>
</tr>
<tr>
<td></td>
<td>Superior learner and teacher</td>
</tr>
<tr>
<td></td>
<td>Patience and urgency</td>
</tr>
<tr>
<td><strong>Opportunity Obsession</strong></td>
<td>Having intimate knowledge of customers’ needs</td>
</tr>
<tr>
<td></td>
<td>Market driven</td>
</tr>
<tr>
<td></td>
<td>Obsessed with value creation and enhancement</td>
</tr>
<tr>
<td><strong>Tolerance of Risk, Ambiguity</strong></td>
<td>Calculated risk taker</td>
</tr>
<tr>
<td><strong>And uncertainty</strong></td>
<td>Risk minimizer</td>
</tr>
<tr>
<td></td>
<td>Risk sharer</td>
</tr>
<tr>
<td></td>
<td>Manages paradoxes and contradictions</td>
</tr>
<tr>
<td></td>
<td>Tolerance of uncertainty and lack of structure</td>
</tr>
<tr>
<td></td>
<td>Tolerance of stress and conflict</td>
</tr>
<tr>
<td></td>
<td>Ability to resolve problems.</td>
</tr>
<tr>
<td><strong>Creativity, Self-reliance, and Ability to adapt</strong></td>
<td>Non-conventional open minded, lateral thinker</td>
</tr>
<tr>
<td></td>
<td>Restless with status quo</td>
</tr>
<tr>
<td></td>
<td>Ability to adapt and change; creative problem solver</td>
</tr>
<tr>
<td></td>
<td>Ability to learn quickly</td>
</tr>
<tr>
<td></td>
<td>Lack of fear of failure</td>
</tr>
<tr>
<td></td>
<td>Ability to conceptualise and ‘sweat details’</td>
</tr>
<tr>
<td><strong>Motivation to Excel</strong></td>
<td>Goal and results orientation; high but realistic goals</td>
</tr>
<tr>
<td></td>
<td>Drive to achieve and grow</td>
</tr>
<tr>
<td></td>
<td>Low need for status and power</td>
</tr>
<tr>
<td></td>
<td>Interpersonally supporting</td>
</tr>
<tr>
<td></td>
<td>Aware of weakness and strengths</td>
</tr>
<tr>
<td></td>
<td>Having perspective and sense of humour</td>
</tr>
</tbody>
</table>

**Source:** Adapted from Timmons (1999:221)
• **Motivation to excel:** Successful entrepreneurs are motivated to excel. With motivation internally driven, entrepreneurs are self-starters who compete against their own self-imposed standards in order to pursue and attain challenging goals. By the same token, they have a low need for status and power, and they derive personal motivation from the challenge and excitement of creating and building enterprises. Achievement is the desire to quench their thirst, rather than the traditional things like status or power. Ironically, their accomplishments, especially if they are successful, give them power and status as a result of their activities.

From the above it can be seen that any entrepreneurial venture requires persistence, realism, and commitment. Committing to promises would hold true in this part of commitment and determination from the part of the entrepreneur. Although difficult situations may present themselves from time to time, these are part and parcel of the stressful business environment one is faced with today.

Timmons (1999:221) further infers that successful entrepreneurs have the ability to use the experience of failure as a way of learning. They learn by being able to understand their own actions, and the role played by themselves and that played by others in the causing of the failure and how to avoid a similar situation or problem in the future. It is these successes and failures, which form an integral part of the learning process of the entrepreneur.

Setting high but achievable goals, enables the entrepreneur to focus on their energies and be selective in sorting out opportunities. Goals and direction also help to define the
priorities and provide some measure of how well they are performing. By having an objective way of keeping score, such as changes in profits, sales and stock price is also of significance. Money is thus considered as a tool and a means of keeping score, rather than the object of the game. Timmons (1999:224) further states that entrepreneurs insist on the highest personal standards of integrity and reliability. They do as they promise and are deeply involved in the project.

According to Hellriegel Slocum (1996:446) organisations should seek out people with leadership potential and expose them to experiences designed to develop their competencies.

Fig.3.2  Theoretical background skills required by an O-D.

Source: Researcher’s own diagram

3.8  HELLRIEGEL SLOCUM’S LEADERSHIP COMPETENCIES

According to Hellrigel Slocum,(1996:446), some of the below mentioned competencies are what is required by people or individuals in a leadership role.
• **Empowerment** – Traditionally, there has been reluctance for leaders to share power with their followers. Part of the empowerment process occurs when a leader shares influence and control with followers. By so doing, the leader involves employees in helping to decide how to achieve the business goals, thus giving them a sense of commitment. Empowerment also satisfies the human need for self-achievement, a sense of belonging and self-esteem. When employees have a positive feeling about their work, this becomes stimulating and is of more interest.

• **Value Congruence** – As the different employees of the business bring different values to the job with them, these do not always coincide with that of the business. Value congruence involves the ability to understand the principles of the business and employees’ values and to reconcile the two. This in essence would mean that the leader would be creative and solve problems which might occur from time to time.

3.9 TIMMONS CHARACTERISTICS FOR MANAGEMENT COMPETENCIES

Timmons (1999:247) states that managers of entrepreneurial firms need to recognise and cope with innovation, taking risks, and responding quickly, as well as absorbing setbacks. It is further stated that effective managers thrive on the hectic, and at times chaotic pace and find it challenging and stimulating, rather than frustrating or overwhelming. The following three major competencies have been identified by Timmons:
- **Leadership, Vision, Influence.** In times of confusion and ambiguity, clarity is created by managers. These entrepreneurial managers have the ability to define clearly and gain agreement on who shoulders responsibility and authority. This is also done in a way that builds motivation and commitment to cross-departmental and corporate goals. This might be interpreted as an effort to be selfish and guard personal turfs, but it is a genuine effort to clarify roles, tasks and responsibilities, thus ensuring accountability and appropriate approvals. It is also important to include all appropriate people in setting cross-functional goals and in making decisions. When things do not go according to plan, effective managers work through the problem and obtain agreement on how to overcome the problem.

- **Helping / Coaching and conflict management.** Effective managers are reasonably creative and skillful in managing conflict situations, generating consensus decisions and sharing their power and information. Part of their ability is to get people to talk

Timmons (1999:249) states that there are other management competencies that need to be considered and these relate more to the actual managing of the business. They are discussed below:

**3.9.1 Administration**

The following competencies have been identified as some of the administrative skills required within the administration framework. They are:
• **Problem Solving Ability** – The ability to anticipate potential problems; the ability to gather facts about problems, analyse them for real causes, and plan effective action to solve them, and the ability to be thorough in the dealing of problems and to follow them through.

• **Communications** – Ability to communicate effectively and clearly, this being verbally and graphically to all with whom one would come into contact during the course of normal business.

• **Planning** – The ability to set realistic and attainable goals, identify obstructions to achieving these goals and detail a step by step direction of how to achieve these goals, and the ability to manage time.

• **Decision Making** – The ability to make decisions through deduction from incomplete information, especially when a decision has to be made.

• **Project Management** – Skills in organising project teams, setting project goals, defining project tasks and the monitoring of task to completion when faced with problems and cost / quality constraints.

• **Personnel Administration** – The ability to set up payroll, hiring, compensation and training functions.

• **Negotiating** – The ability to work effectively in negotiations, and the ability to distinguish right from wrong. In addition, to be able to recognise short term and long-term relationships and identify which are more beneficial.

• **Managing outside professionals** – Outside people who need to be consulted from time to time to assist with business matters, need to be identified and managed. These would include legal, banking, accounting, financial and consulting professionals and any other necessary outside advisors.
3.9.2 Marketing

The marketing competencies of the business, as reflected in the points below, represent some of the basic requirements that would be required of a small business, such as the O-D.

- **Service management** – The ability to perceive service needs of particular products and to determine service and spare-part requirements, handle customer complaints, and create an effective service organisation.

- **Distribution management** – To be able to manage the flow of product from manufacturing through to distribution channels to the ultimate customer, including familiarity with transport costs and scheduling techniques.

- **Product management** – The ability to integrate market information, needs perception, research and development, and advertising into a rational product plan and to understand market penetration and breakeven.

- **New product planning** – The skill required to introduce a new product, and the development of merchandising and distribution plans for new products.

3.9.3 Finance

The finance competencies mentioned below represent the more important aspects of the business as this forms the lifeblood of the organization and ensures it’s viability to remain in business.
• **Raising capital** – To be able to decide the best means of acquiring funds and start-up for growth; to forecast fund needs and to prepare budgets for the business; knowledge of sources of financing, be it short term or long term, formal and informal.

• **Managing cash flow** – To be able to project cash requirements, set up cash controls, and manage the business’s cash position, and to be able to identify how much capital is required, when and where cash resources will be depleted and when breakeven will be achieved.

• **Credit and collection management** – The ability to develop credit policies and screening criteria, and be able to age accounts payable and accounts receivable.

• **Short-term financing alternatives** – Understanding of money management, and the use of interim financing, such as bank loans and the understanding of financial statements and budgeting / profit planning.

• **Public and private offerings** – To be able to develop a business plan and motivation to raise a loan or for financing and to negotiate with individuals in the financial institutions.

• **Bookkeeping, accounting and control** – To determine appropriate bookkeeping and accounting systems from the company’s infancy and growth, including the need of insurance requirements.

• **Other specific skills** – The ability to understand an income statement, balance sheet and cash flow projection, including breakeven analysis, profit and loss analysis and balance sheet management.

• **Technical skills** – These would vary according to each unique type of business.
Timmons (1999:251) further states that not all entrepreneurs will have the skills as mentioned previously, and those skills which are lacking will need to be acquired, through the use of partners or advisors. There are advisors who provide excellent service which is of great benefit to the entrepreneurs. Advisors however are not always business people and are not always capable of making the best business judgements for those whom they are advising. An example of this would be a lawyer who would be biased toward litigation rather than amicable solutions being sought.

Steinhoff and Burgess (1993:334) state that part of the requirements for a small business enterprise would be to manage human resource and productivity and would include leadership styles. As a small business operator, the O-D will need to modern skills, education and training in order to be able to manage human resources on whom they depend for effectively continued business operations. Management techniques of the past are no longer appropriate with the workforce of today. O-D’s have to adopt managerial leadership and knowledge of how to increase productivity in the long run.

3.10 LEADERSHIP

Leadership involves the ability to influence workers, employees and customers who benefit from the organisation. If entrepreneurs adopt positive leadership styles and attributes, they tend to achieve better results. Their authority is used to motivate, inspire and instruct people to bring about actions that are favourable to the business. This is especially relevant in managing the employees of the O-D.
Steinhoff and Burgess (1993:335) further state that leadership styles fall into three broad categories, these being:

- **Autocratic leadership**: Autocratic leaders command and expect leaders to follow through with little feedback. Strict punishment and rewards are used to make decisions without much input from employees.

- **Democratic or participative leadership**: The democratic leader seeks out feedback from employees and staff when decisions are made. Some decisions are made collectively, while others make individual decisions after obtaining input from the employees.

- **Low-key leadership**: Low-key workers give employees a high degree of choice. They attempt to select top quality individuals, give them a good understanding of what is expected, and then let the employees do what they were employed to do. This style is appropriate when employees have a common vision and a strong combination of company goals.

In the South African context, especially with regard to the O-D business, the employees of the business are non-skilled and are classified as labourers. Based on information obtained from interviews with the O-D’s, much of the staff complement are uneducated, and are illiterate in English. Their expectations are minimal, the most important expectation being to get paid either on a weekly, fortnightly or monthly basis. Problems that O-D’s experience with their employees are the typical problems that are experienced in the South African work environment, these being money management problems. Although these problems are not unique to any one business, they have an impact on the
daily, efficient functioning of any business. In the O-D business, this has affected the reliability of his business, with detriments to productivity and maintaining service levels to the companies which they are contracted to.

3.11 HUMAN RESOURCE PLANNING

In view of problems experienced with employees, especially in the unsophisticated job market, O-D’s need to become aware of human resource planning which entails recruiting and selection, training, supervision and motivation and development. According to Steinhoff and Burgess (1994:337) several factors in human resource planning must be considered. These factors are outlined below.

- **Matching the Individual to the job**: Due to global changes with regard to competition, employee productivity has become more important. With increased labour costs, the small business owner has placed more emphasis on output per hour. Job analysis need to be carried out to identify what is required for the job, and to develop a detailed job description outlining its objectives, work to be performed, responsibilities involved, skills required and general working conditions. In this way the criteria are clearly laid out and this simplifies the managing of the human resource aspect.

- **Recruiting and selection**: Recruiting ensures that individuals and a particular position are matched. Also, the choice will be greater due to the pool of candidates available for selection, thus making comparisons easier. Selection of employees
should be fair and management needs to establish from previous work history if the
candidate is able to do the work that is required. A clear explanation needs to be done
with regard to expected salaries, work hours etc.

• **Orientation and Training:** This involves introducing the culture of the business,
should there be any to the new employee. At this time goals and objectives are
explained, as this helps to integrate new employees into the team building concept.
The opportunity should also be provided where employees meet with their co-
workers. Training forms another important aspect with new and existing employees.
Owners of the business should identify what it is that employees need to learn and the
relevant training and type of education format that needs to be applied. The
effectiveness of this training needs to be monitored to see if it is having the desired
effect. In the small business scenario, training is done on the job, with co-workers
explaining how the job is done. Another critical aspect to consider in the South
African context, would be the training in literacy skills.

• **Supervision and Evaluation:** Supervision involves the monitoring of employee
effort in relation to pre-determined objectives. The evaluation can then be used to
assess the employee in relation to the targeted goals. It is also necessary to have
regular meetings to discuss work or any other relevant issues and to invite discussion
on specific work related areas. In many instances, new employees need to be put on
probation and their work performance monitored. Should problem areas arise, these
need to be brought to the attention of the employee/s and dealt with in a supportive
and constructive manner. To adhere to legal requirements when employing
individuals, it must be stipulated in the employment contract that a probationary period exists, in order to protect the small business owner and to prevent recourse from the employee, should his / her services be terminated for unsatisfactory work performance.

• **Motivation and development:** Motivation provides the stimulus to encourage worker productivity and greater involvement in business success. This presents a challenge in the smaller business, as, due to limited resources, this is dependent on the human element to be competitive. Motivation is derived by encouraging employees to grow in their work through education, training and experience. Steinhoff and Burgess (1993:338) further state that the factors used to motivate employees are:
  
  (1) appreciation of work effort,
  
  (2) communication of goals and objectives,
  
  (3) a positive system of rewards, and
  
  (4) additional responsibility.

Contrary to popular belief, job security and wages are less important than the previously mentioned factors above in building motivation.

3.12 **THE CURRENT SCENARIO IN THE EASTERN CAPE**

According to sources in the East Cape operating O-D schemes, there are no set criteria currently in place to effectively screen and recruit an O-D. As mentioned previously, O-D’s are recruited on the basis of their primary skill, viz. being a competent driver.
According to a leading management consultancy firm, some of the O-D’s who did have the business skills and had many enquiries about tariffs, loads, and contractual obligations were discriminated against. Discrimination often resulted in reduced loads or the contract not being renewed upon the expiry of the first phase of the contract. Based on the information provided, this practice occurred as a result of jealousy due to the income earning potential of the O-D, which would exceed that of the controller scheduling the loads. In some instances, legal action has been taken against the manufacturer with whom the contract is held. In instances such as this, it is evident that should the O-D reflect a higher than average level of intelligence, especially relating to business matters in their O-D business, this is frowned upon. It must be clearly stated that this is not necessarily the attitude of the company, but that of the people who deal with the O-D on a day to day basis, these being the distribution managers or the controller’s scheduling the loads. It is evident from some of the problems experienced, that the issue is more one of personality clashes and difference of opinions than a performance related issue. Unfortunately, this results in biasness and consequent detriment to the O-D business in the long term. Although many companies promote the spirit of enterprise, this spirit is not necessarily adhered to on the ground level. Although some of the O-D’s have the ability to become competent entrepreneurs, by showing initiative and asking questions, certain individuals in the organisation are intimidated by this and react in a negative manner, much to the detriment, the long term future and viability of the business, and the spirit of the empowerment process.
Although an O-D is required to have entrepreneurial skills, by any measure in order to achieve the desired success in their business, part of the criteria would be to have a combination of management and leadership skills, as mentioned previously.

Table 3.3 is a brief overview of the differences between a person fulfilling a management function and that fulfilling a leadership function, according to Kotter. (1990: 198)

**Table 3.3 THE DIFFERENCE BETWEEN MANAGEMENT AND LEADERSHIP**

***Management versus Leadership***

<table>
<thead>
<tr>
<th>MANAGEMENT</th>
<th>LEADERSHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning and Budgeting</strong> – establishing detailed steps and timetables for achieving needed results and then allocating the resources necessary to make that happen.</td>
<td><strong>Establishing Direction</strong> – developing a vision of the distant future &amp; strategies for producing the changes needed to achieve that vision.</td>
</tr>
<tr>
<td><strong>Organising &amp; Staffing</strong> – establishing some structure for accomplishing plan requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide people, and creating methods or systems to monitor implementation.</td>
<td><strong>Aligning People</strong> – communicating the direction by words and deeds to all those whose cooperation may be needed so as to influence the creation of teams and coalitions that understand the vision and strategies and accept their validity.</td>
</tr>
<tr>
<td><strong>Controlling and Problem solving</strong> – monitoring results versus plan in some detail, identifying deviations, and then planning and organising to solve these problems.</td>
<td><strong>Motivating and Inspiring</strong> – energise people to overcome major political, bureaucratic, and resource barriers to change by satisfying very basic but often unfulfilled human needs.</td>
</tr>
<tr>
<td><strong>Results</strong> – producing a degree of predictability and order and having the potential of consistently producing key results expected by various stakeholders (e.g. for customers, always being on time; for stockholders, being on budget).</td>
<td><strong>Results</strong> – producing change, often to a dramatic degree, and having the potential of producing extremely useful change (e.g. new products that customers want, new approaches to labour relations that help make a firm more competitive).</td>
</tr>
</tbody>
</table>

3.13 CONCLUSIONS

The training and competencies discussed in this chapter represent the ideal scenario for an O-D to have. Obviously, not all candidates will have these competencies and traits. It is evident however, that a great deal of training is required to get the potential O-D to the required level in terms of competencies and skills for him to be in a position to effectively understand and manage business related issues. It is also abundantly clear that the companies which have implemented O-D schemes are partly responsible for some of the problems experienced by the O-D.

The motivation for the implementation of the O-D scheme makes business sense, whether to outsource or to empower the previously disadvantaged. However more effort needs to be introduced in order to make the O-D scheme a success and to ensure that the in the long term, it is an effective option to both parties concerned.

It is also the view of the researcher that Government departments, be it the Department of Transport or the Department of Trade and Industry should be more involved in education programmes on entrepreneurship, specifically for SME’s, and not leave it to the industry, as it is evident that although the industry has good intentions, it’s motives may be somewhat selfish.

Based on the information presented in this chapter, it is clearly evident that a rigorous evaluation needs to be done prior to a candidate being launched into the O-D scheme. This coupled with an appropriate training schedule, based on past history, needs to be developed and implemented at least six to nine months ahead of the nominated driver becoming an O-D. The aim of this program would be to give the necessary skills to the
proposed O-D and also for him to “get his house in order”. This program will give the proposed O-D the information and knowledge required to be in a better position to understand the mechanics of business and also it will be a gauge of whether the candidate has the business acumen to be a successful business person.

Although the requirements might seem extensive, it would represent the ideal situation. However it must be taken into account that this is the theoretical model and there will always be a difference between the theory and real life implementation. With this said, the various influential people in the distribution game should aspire to make the above a reality.

This might be easier said than done, based on the strategies of some of the companies that are implementing O-D schemes. Due to various limitations, which would include cost, resources and commitment, some of the envisaged programmes required to improve the current situation might not get off the ground. In these instances, the commitment to the O-D scheme by the companies implementing them needs to be questioned.
Figure 1.2

A

UNDERSTANDING EXTERNAL FACTORS
- AIDS / HIV
- Racism
- Unco-Operative Financial Institution
- Lack of Education
- Lack of Training and Development

B

HOW DOES IT IMPACT ON THE OWNER – DRIVER BUSINESS?

C

UNDERSTANDING THE IMPACT
- Poor Management Skills
- Financial Mismanagement
- Limited Business Success
- Debt Problems
- Inability to Obtain Business Finance
- Cancellation of Contract
- No Life Insurance Cover

D

REACTING TO ENVIRONMENTAL TURBULENCE: TRAINING & DEVELOPMENT (model)
- Competencies and Traits
- Lifestyle Training and Management
- Vehicle Training and Management
- Business Management Training
- Financial Management Training
- Leadership Training
- Human Resources Training

E

Outsourcing Management Functions to Third Parties Implementation Model

F

END RESULT

EFFECTIVE SOLUTIONS FOR OWNER –DRIVER MANAGEMENT & IMPLEMENTATION
CHAPTER 4

THE ROLE WHICH A THIRD PARTY BUSINESS CONSULTANT, ADVISOR OR MANAGEMENT COMPANY CAN PLAY IN THE EFFICIENT MANAGEMENT OF THE O-D BUSINESS

4.1 INTRODUCTION

This chapter, (see Block E of Figure 1.2), discusses the role which a third party management company can play in assisting the O-D to operate and manage his business.

As is evident from the previous information provided, the Owner-Driver needs to be allowed to concentrate on the day to day running of the business, which includes driving, delivering, managing the staff and maintaining the vehicle. These are their areas of expertise. Due to the limited exposure and experience the O-D has had in the business, the business management skills of need to be outsourced. Different companies which utilise O-D schemes suggest that the O-D utilises the service of a reputable management company to assist with the managing of his business. This, in most instances, with the exception of South African Breweries, is determined by the O-D. Although this is not a national prerogative, O-D’s are at times influenced with persuasive arguments from management to utilise the services of management companies that are preferred by some managers in the distribution function.
The information contained in this chapter was obtained from the qualitative study. Most of the data was provided by management consultancy firms.

4.2 THE MANAGEMENT COMPANY

At the beginning of the scheme, various management companies or business advisory services would promote their services by means of a formal presentation, and depending on the services provided and reputation of the management company, the O-D would make the decision as to which management company will represent the O-D’s business, on his behalf. Many management companies have been formed to capitalise on the move toward O-D schemes, and these companies are usually small businesses with a staff complement of between two to five people. Many of the individuals who have established these management companies also come from within the ranks of the company that has decided to outsource the distribution function. The opportunity to be an independent operator and be self employed, and the fact that they have credibility within the organisation and are known to the O-D’s make it easier for the O-D business to be referred to them.

4.3 SERVICES TO BE PROVIDED BY THE MANAGEMENT COMPANY

The competencies for management companies and business advisors range from auditing and accounting skills to business management skills. Some of the O-D’s from various
schemes have chosen the auditing firm option and these companies provide accounting services only, which is their core competence.

4.3.1 Auditing Office Services

The auditing or accounting office refers to the services provided by a traditional accounting firm specialising in performing functions such as financial statements and balance sheets.

- **Compliance with statutory requirements**
  - PAYE
  - VAT Returns submitted
  - UIF and Workmens Compensation payments

- **Ensure routine payments are made**
  - Lease payments for vehicle
  - Insurance payments
  - Supplier payments

- **Basic bookkeeping functions**
  - Bank reconciliation’s
  - Budgets

- **Monthly Management Accounts**
- Income statement
- Balance sheet
- Cash flow statement
- Cash flow forecast
- Actual vs Budget variances

This model represents the services offered by the traditional auditing or accounting firm.

4.3.2 Management Company or Business Advisor Services

The management company or the business advisor function has come about primarily to cater for the needs of O-D’s. Based on the information provided, the founders of these companies have all worked for a company which has decided to go the outsourcing route and utilise the O-D scheme. The opportunity has presented itself primarily due to the need that has been created by providing a service to the O-D. In most of the instances, the people involved in these companies have been involved with the proposal and implementation of the scheme from the onset, and are favoured by the former employees due to the past working relationship. Below is a list of services provided by a management consultancy firms spoken to.

- Start up package;
- Financial Advice;
- Monthly financial management;
- Statutory returns and Tax management;
- Human Resources management;
• Fleet Management;
• Training and development

4.3.3 Vehicle Purchasing

Whilst the O-D is on phase two (2) of his contract, a vehicle purchase might become necessary. Due to the cost involved, it is necessary for the O-D to make a sound decision on the type of vehicle to be purchased, the considerations being the following criteria, according to a leading management consultancy firm:

• Budget allowed for vehicle purchase.
• Application for which the vehicle is to be used.
• Matching the vehicle to the relevant application, ensuring that the vehicle is not over the required specification.
• Back up service, including spares pricing and availability.
• Reputable source for vehicle, thus ensuring the integrity of the seller.
• Maintenance history of vehicle, ensuring that all repair work and maintenance is undertaken according to manufacturer specifications.

By assisting with the above, it will be ensured that the vehicle purchased is reliable and that no major repairs are envisaged in the long term. This will no doubt help in keeping maintenance costs to an acceptable level. It has been known in many instances, that O-D’s have purchased trucks without the proper guidance or advice, and because of their
lack of knowledge in the area and unscrupulous dealers, reliability problems and increased repair costs which were not budgeted for have been incurred.

It is for this reason that competency in this particular aspect of the business needs to be particularly high, to assist the O-D in the long term and to make sure that his interests are catered for. A reliable vehicle will help the business to be profitable and ensure consistency and reliability, thus maintaining service levels to the client.

As can be seen, the services provided for by the management company are far more comprehensive than those offered by the auditing or accounting firm. In the case of two O-D schemes being operated in Port Elizabeth, viz. La Farge (RMM) cement and SAB, both schemes are being ‘managed’ by auditing firms.

4.4 PROBLEMS EXPERIENCED BY MANAGEMENT AND AUDITING COMPANIES

According to a leading Port Elizabeth management company, they managed the accounting affairs for the SAB O-D’s for a period of two years, after which the service was put out to tender by SAB, due to SAB’s dissatisfaction with the management company. Discussions with this company revealed that part of their inability to render a satisfactory service stemmed from a lack of interest on the part of the O-D to supply the necessary information timeously. Some of the problems experienced were:
• Lack of financial information pertaining to business;
• O-D’s not submitting information to make statutory payments, in spite of regular requests to do so;
• Lack of financial discipline, resulting in the inability to pay VAT;
• Basic record-keeping not maintained;
• No consistency or structure to pay employees of O-D’s.
• Bank statements not provided to do reconciliation on business accounts;
• Invoices not kept for the purpose of recording business expense nor for VAT purposes.

4.5 IMPLICATIONS OF THE LACK OF DATA PROVIDED BY THE O-D

Due to the above problems, the necessary financial information could not be drawn up, and the financial state of the business could not be determined. As a result of this, SAB were unhappy about the level of service and forced the O-D’s to terminate the contract with the management company and look for alternative auditors. These problems are not isolated and, based on information provided by other auditing and management companies, the problems experienced above are common amongst O-D’s. In some of the instances, some of the O-D’s contracted to SAB in Port Elizabeth owed the SARS amounts exceeding one hundred thousand rand, for non-payment of VAT. This puts the ability of the O-D to successfully manage his transport business in doubt. In spite of this problem having taken place, the blame for this situation was laid on the auditing firm managing the SAB O-D portfolio.
Sources at the management company disagree with this and feel that it is the duty of companies such as SAB, to put the pressure on the O-D’s to comply with what is required. Information, if not submitted cannot be produced and the auditing company cannot be held responsible for this. It is also the personal opinion of a partner at the management company that the O-D scheme is more of an enrichment scheme than an empowerment one.

4.6 SPECIFIC SERVICES PROVIDED FOR AUTONET O-D SCHEME BY THE DESIGNATED MANAGEMENT COMPANY

Companies such as Autonet (now Freight Dynamics) utilise the services of a management company to oversee the whole operation in their O-D scheme. The Management Company, in this instance Kalan Inc., specifically for Autonet, act as the intermediary for the O-D and provide the following services:

- Obtaining finance for commercial vehicle, at competitive interest rates;
- Arranging for insurance for vehicle;
- Arranging for life-cover for O-D’s;
- Negotiating with various fuel companies for the best possible price for diesel.
- Negotiating with suppliers for various items such as: pricing, terms, service levels etc.;
- Payment of O-D salaries, employee wages and creditor payments;
- Negotiating annual tariff increases;
• Paying statutory payments to various institutions such as SARS, UIF, WCA and RSC;
• Arranging for cellular phone contracts and payment thereof on behalf of the O-D’s.
• Arranging training with tyre companies.
• Quality audits monitoring repairs after vehicle has been in for maintenance.
• Scrutinising of invoices for repairs to ensure that the correct time has been charged for specific repairs undertaken.
• Monitoring engine oil samples to ensure service intervals are adequate.
• Processing of insurance claims and following up with repairer on work in progress.
• Obtaining parts and components from O.E.M when franchised dealer is unable to supply.
• Liaising with O.E. M to solve ongoing technical problem issues.

The above service was provided by the management firm of Kalan / Cirrus, in exchange for a monthly administration fee. The business income would be paid over to the management company and the funds managed, and at the end of the month, once all payments were made, any surplus funds, would be put into a savings account for the O-D. In this way, the funds were in the hands of a reputable management company, and this was one of the requirements the bank needed in order to feel comfortable during the course of obtaining finance. Due to the large amount of the income that was produced by each O-D business, it was in the interest of the O-D to have their funds managed by a management company.
4.7 THE PITFALLS OF THE O-D MANAGING THEIR OWN FINANCES

According to La Farge, their system operates differently. In this instance, the funds are managed by the O-D, and payments are made, in the case of lease payments, via debit order, the rest of the payments being managed by the O-D themselves, with the assistance of the management company. Sources at Kalan Inc. have also confirmed that some of the SAB O-D schemes are being operated on similar principles. With this system, the O-D has to exercise discipline, as should business funds be misappropriated, this could lead to the demise of the business. In many instances, based on information obtained from management companies, discipline was not exercised. Salaries for O-D’s varied from month to month, most of it being used for luxuries for personal use, depending on the funds that were available in the bank account. Craig Killian of the auditing firm of Wolmarans Kruger, has confirmed that many of the O-D’s contracted to SAB in PE are drawing incomes in the vicinity of approximately eighteen to twenty thousand (R 18 000 – R 20 000) per month. The recommended drawings, based on cash flow projections amounts to five thousand (R 5 000) rands per month. Due to the high income being derived from the business, provisional tax needs to be paid in February to the SARS, and indications are that this could amount to fifty thousand rands (R 50 000). Sources at Wolmarans Kruger further state that the business will not be able to pay this amount thereby presenting a later problem. Surplus funds to be used for a deposit on a vehicle for purchase at the end of their phase one, will be eroded and may jeopardise their future with the SAB. The contingency fund which makes provision for unexpected expenses such as repairs and other major costs will also have been eroded as a result of the lack of financial discipline.
Part of the function of the management company, based on interviews with management companies consulted, would be to do extensive training for the O-D’s with regard to lifestyle management and basic management training to help them manage the businesses more efficiently. This needs to be an ongoing process, whereby various needs are assessed and training developed accordingly. This area has not been addressed, as at present it is not part of the required service. Also, training and development will incur additional costs, for which none of the organisations are willing to spend any additional money. Mentorship will also need to be high on the agenda, in order for the business to succeed in the long term. The training and mentorship function needs to be championed by the company outsourcing it’s distribution function, as it is their moral obligation to do so, especially in view of the programme being an empowerment one.

Another aspect of training relates to driver training, where the O-D is taught to drive defensively, and optimise his driving style and skill in order to use fuel economically and to extend the life of the engine. Although this expertise is not held by the management company, companies such as East Cape Training Center can be utilised, due to their expertise in this field. This responsibility also lies outside the duties of the management company. However, depending on the performance of the O-D in managing his vehicle, the O-D and the manufacturer to whom the O-D is contracted, need to assess the required level of driver training needed. This information can be obtained from the tachograph. It is in the interests of the manufacturer to do this as it is their loads, goods and reputation that are at risk. It is also the role of some transporters that the Department of Transport
needs to take a more active role in ensuring that legislation is introduced to check and test drivers on a more frequent basis than at present.

4.9 LONG TERM VISION FOR A BUSINESS ADVISOR OR MANAGEMENT CONSULTANT

The three management companies spoken to have no definite long-term plans for the O-D schemes they manage. However the researcher believes it is imperative that these be developed. It must also be mentioned that during interviews with various management companies, there was a reluctance to divulge what was regarded as private and confidential information about their business.

The management company provides a service to the O-D, at a specified fee. It is believed that due to the empowerment nature of the scheme, the O-D should be taught the necessary skills in order to make them self reliant in the long term. This means that some of the functions in terms of fulfilling obligations, whether it be generating payslips for their staff or preparing the documentation for the Regional Services Council or Unemployment Insurance Fund, need to be transferred to the O-D. This transfer of skills, once taught and acquired will enable the O-D to be self-sufficient and take more responsibility for his own business.

According to Blanchard et al (1999:250) in creating a culture of empowerment, one of the major changes involves a movement from dependence on leadership from others to a condition of independence from, or interdependence with, leadership. It can then be
deduced from the above that the management company or business advisor should adopt some form of leadership role. In this instance, leadership should be viewed as an influential process, where the O-D’s behaviour is influenced to accomplish the goals that he / her has set for their business. According to Blanchard et al (1999:15), part of the empowerment process is that people will eventually become self-reliant achievers.

4.10 VEHICLE MANAGEMENT

An often-neglected yet very important aspect of the business is the vehicle. The vehicle forms the core of the business enterprise as it generates the income. Many business advisors / management companies lack knowledge in the technical aspect of the business. Due to this lack of knowledge, the vehicle is often neglected or not maintained effectively. Failure to do so can result in breakdowns, unscheduled repairs etc. which can affect the flow of income, causing financial repercussions. A competent business advisor with technical competencies, will arrange a vehicle maintenance scheme with the correct service provider and ensure that the vehicle is properly maintained to minimise the risk of breakdowns or component failure. There have been incidences, especially with long-haul applications where O-D’s have forgotten to service their vehicles and have extended the service intervals considerably, with dire consequences. (Accelerated engine wear / engine failure)

Another aspect to vehicle management is tyre care. As these are costly items, their care and maintenance is vital for the efficient running of their business. Aspects such as tread depth wear and inflation pressures need to be taught to the operator in order for the
maximum useable life to be obtained from these components, to the economic benefit of the business.

4.11 CONTINGENCY PLANNING

One of the requirements of many of the O-D schemes implemented is the provision for contingency funds. This fund is built up over a period of time and varies in amounts from ten thousand to sixty thousand rands. The contingency fund is provided for from profit which is put into the fund prior to any profit being paid out to the O-D. The purpose of the fund is to provide a source of funds in the event of a major repair becoming necessary, without affecting the cash flow of the business or without having to finance the repair. In the truck business, gearbox and engine overhauls can vary in price from fifteen thousand rand to sixty thousand rand, depending on the severity of the problem and the source of the parts, which vary in price from manufacturer to manufacturer.

Depending on the nature of the repair, and the period that the vehicle is off the road, the contingency fund will have to serve as a ‘savings’ account of the business to provide an income to the O-D, during this time. It has in some instances been known that the vehicle has been off the road for up to a period of three months, if involved in a major accident. During this time, no income is earned. In some rare instances, depending on the duration that the vehicle is off the road, the management company, in conjunction with the manufacturer will arrange to hire a vehicle in order for an income stream to be maintained and service levels not compromised. This option is used as a last resort, as it
could end up being an unfeasible economic option due to the fixed costs that the original vehicle is still subjected to.

Depending on the financial performance of the business, some repairs need financing through a financial institution, usually the same institution that financed the vehicle, as the O-D’s business does not have the financial resources to cater for the unexpected costs of repairs. This is done with the assistance of the management company by providing income projections and financial statements. The bank would then advance the required funds and extend the period of the lease for the truck to cater for the additional loan.

4.12 CONCLUSIONS

Due to the lack of skills of the O-D’s, it is necessary for the third party management company to provide some of the services of managing the business as well as guiding the O-D to attain some of the business management skills. All too often, the emphasis is placed on the performance of the business or on the accounting aspect, without looking at the factors contributing toward the bottom line. If a business is managed well and the O-D is taught how to manage effectively, with the emphasis being placed on how financial management is affected by vehicle management, the O-D will be successful and profitable in the business.

Due to the lack of management and leadership skills, businesses do tend to falter. However, with the correct nurturing, tuition and mentoring, the desired objective of promoting an empowered SME to attain the desired levels of competence and skill in their distribution business is not out of reach.
Unfortunately the role played by the auditing company represents a limited service, the emphasis being placed on basic bookkeeping functions, with the aim of compliance with the regulatory bodies, in terms of the submission of documents. This is adequate for a specific type of business, however not for the person such as an O-D going into business for the first time.

The management consulting company plays a slightly different role in that it offers the basic bookkeeping functions, as well as advisory support, in the form of a mentorship role. In view of the nature and background of the O-D business, the management consulting company would appear to be the better option, especially in view of the value added service and benefits that can be gained by utilizing such a service.
CHAPTER 5

THE QUANTITATIVE METHODS USED AND ANALYSIS OF DATA

5.1 INTRODUCTION

In Chapters 3 and 4, various competencies and traits which a good Management Consultancy should possess were identified. Among these was the aspect of the level and types of services that a competent Management Consultancy should provide. Also considered were the characteristics that an O-D should possess, the education and training that is needed and the management ability required. Two of the important features looked at were leadership qualities and communication skills.

The ‘literature study’ was used to establish and answer the second sub-problem: What competencies and what level of training are required by an individual to be an entrepreneur and start up an O-D business? The empirical study will help to highlight some of the problems that O-D’s experience and add substance to the envisaged model presented in Chapter 6.

5.2 RESEARCH DESIGN

Allison, O’Sullivan, Owen, Rice, Rothwell and Saunders (1996:4) define research as an organised investigation that is recorded in a specific form, which allows the research
methods and results to be available to others. By this means others are able to continue the research which is aimed at seeking solutions to problems or answers to questions.

5.3 PLANNING THE EMPIRICAL STUDY

The quantitative study was conducted by means of (1) telephone surveys, (2) responses to faxed and posted questionnaires, and (3) personal interviews. Due to the unsophisticated nature of the O-D and the geographical location of the business, these were deemed to be the most effective methods available to obtain the relevant information.

A statistical analysis was then undertaken from the results obtained from the questionnaire.

5.3.1 The questionnaire

Leedy (1997:191) views the questionnaire as the common instrument for observing data that is beyond the physical reach of the observer. The questionnaire (Annexure 1) was developed to identify the problems that O-D’s experience. The questions were selected to address specific problem areas. The questionnaire was developed as follows:

**Types of questions used:** Allison et al (1996:82) state that there may be open and closed questions. When the responses are predetermined, it is only possible to use closed questions, which typically requires the respondent only to tick boxes. The questionnaire used for this empirical study made use of this method.
The questionnaire was divided into two parts. Section A consisted of questions requiring biographical information. Questions in this section surveyed the geographical location, gender, race, age group and income level of the respondent. Respondents were required to tick the correct or most suitable responses.

Section B was made up of closed questions requiring respondents to record the degree to which they agreed with certain statements. Allison et al (1996:83) state that the most widely used form of scaled items where the respondent chooses a point on a scale that best represents his view, is the Likert scale. In this section a five point Likert-type scale was used. The scale for scoring is as follows; 1 indicates strong agreement, 2 agreement, 3 uncertainty, 4 disagreement and 5 strong disagreement.

**Wording of questions:** Leedy (1997:192) states that the language used in a questionnaire should be unmistakably clear. Communication is the deceiving skill and what might be clear and concise to the researcher, may in fact be worthless jargon to the respondents. Thomas (1996:121) asserts that questions should not lead respondents who do not have specific views of their own on a particular issue. Grammar should be straightforward, and the amount of information that the respondents have to bear in mind in order to understand the question should be limited. Precise terminology should be used in preference to intangible ones, ensuring a clear understanding of the question by the respondent. The questions should be unequivocal. An example of this is “tick one block only”, as the respondent may think that more than one block may be ticked.
**Length of the questionnaire:** Thomas (1996:121) maintains that a questionnaire should not be long and complicated. A questionnaire of several pages with a concise and user-friendly design is preferable to one that has fewer pages but with an overcrowded and intimidating arrangement. The above principles were applied when formulating the questionnaire.

5.3.2 Pilot Study

Prior to conducting the pilot study, an academic staff member at the MBA Unit of the PE Technikon evaluated the questionnaire and made the necessary adjustments. After the changes had been effected, the questionnaire was presented to five individuals who are directly involved with O-D’s.

Welman and Kruger (1999:146) have identified three purposes for conducting a pilot study on a limited number of persons having characteristics similar to those of the target group of respondents. These are:

- The detection of possible defects in the measurement procedure, such as indistinct instructions and insufficient time limits;
- Identification of indistinct or obscurely formulated items. Not only should the actual question be presented to the participants of the pilot study, but they should also be asked to indicate how they have interpreted the formulated questions;
• Simultaneously, the pilot study permits researchers or their assistants to notice non-verbal behavior displayed by the participants, which may indicate discomfort or embarrassment about the content or wording of the question.

5.3.3 Mail Survey

According to Singleton, Straits and Straits (1993:264), the mail survey is considered the least expensive of the survey modes, despite the fact that the budget for printing and postage must be sufficiently high to permit follow-up mailings. There is no need for interviewers or their supervisors, nor is there a need for travel or telephone expenses. Very little office space is required and the staff complement is small.

The time required to complete the data collection phase of the study is greater than that for telephonic surveys but generally less than that for face to face surveys. Sample size may be very large and no problem encountered with geographic dispersion. Further, there is greater accessibility to respondents with the mail survey method, since persons who cannot be contacted by telephone or who are infrequently at home usually receive mail.

5.3.4 Administering the questionnaire

The relevant addresses and telephone numbers of the O-D’s in the East Cape region were obtained from the relevant management companies managing O-D schemes. The questionnaire was posted and faxed, and with a covering letter between the period 11th – 15th December 2000. The purpose of the covering letter was to provide the following
information: Where it was not appropriate or practical to post or fax the questionnaire, a
telephone interview was done with the O-D to obtain feedback on the questionnaire.

- The aim of the research;
- The fact that the questionnaire would take less than twenty (20) minutes to complete;
- Reference to the self-addressed envelope enclosed.
- Reference to the fax number to which the completed form was to be faxed.
- An offer to make a summary of the study available, if so desired.

A cut-off date of the 22\textsuperscript{nd} December 2000 was set for the return of the completed questionnaires. Thereafter the researcher telephonically contacted the O-D’s that did not respond, in order that a response be obtained. (See Annexure 2 for covering letter)

5.3.5 The population

A list of the names of the O-D’s used in the survey was obtained from Kalan Inc.,
Autonet and SAB. The exact number of O-D’s in the East Cape totals approximately 34.
Due to the location of some of the businesses in the Border / Kei district, the population numbered 32. The total population used in the study may be seen in Table 5.1
Table 5.1 Size of the population

<table>
<thead>
<tr>
<th>AREA</th>
<th>SIZE OF POPULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>PE – Uitenhage</td>
<td>14</td>
</tr>
<tr>
<td>East London</td>
<td>12</td>
</tr>
<tr>
<td>Umtata</td>
<td>2</td>
</tr>
<tr>
<td>Butterworth</td>
<td>2</td>
</tr>
<tr>
<td>Queenstown</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32</strong></td>
</tr>
</tbody>
</table>

**Source:** List of O-D businesses obtained from Kalan Inc, SAB, La Farge and Autonet

5.3.6 The research response

Table 5.2 represents an analysis of questionnaires, and includes the quantity submitted, the quantity received and the percentage response, by date.

Table 5.2 Summary of data collection procedure.

<table>
<thead>
<tr>
<th>Date received</th>
<th>Number of questionnaires submitted</th>
<th>Number of questionnaires received</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>19th December 2000</td>
<td>32</td>
<td>13</td>
<td>40.62</td>
</tr>
<tr>
<td>22nd December 2000</td>
<td>7</td>
<td></td>
<td>62.5</td>
</tr>
</tbody>
</table>

The final response rate was 62.50 percent, which may be accepted as a good response. According to Wellman and Kruger (1999:152), responses frequently fall below fifty percent. Emery and Cooper (1991:333) state that thirty percent is an acceptable response rate for postal surveys.
The results of section A of the survey follow in section 5.3

5.3.7 Results of the biographical data in section A of the questionnaire.

Section A of the questionnaire enquired of the respondents general information regarding themselves and the O-D business they operated. The information is classed as independent variables or biographical detail and is used to facilitate comparisons with the dependant variables. The dependant variables are the questions in Section B of the questionnaire. The results for section A of the questionnaire are provided in Tables 5.3 to 5.7. A brief discussion of the data is provided following each Table.

Table 5.3 Respondents by size of the business.

<table>
<thead>
<tr>
<th>Size of O-D business</th>
<th>Response Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 Employees</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>6-10 Employees</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>11-15 Employees</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>16 –20 Employees</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Results obtained from analysis.

Table 5.3 shows that all of the O-D businesses that responded fell into the group of 0-5 employees. All the other groups were not of any relevance in this instance.

Table 5.4 Respondents by Municipal district.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Response frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>PE – Uitenhage</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>Umtata</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>East London</td>
<td>9</td>
<td>45</td>
</tr>
</tbody>
</table>
Table 5.4 shows that the districts are represented as follows: Port Elizabeth – 40 percent, Umtata – 5 percent, East London – 45 percent and Queenstown – 10 percent. Although Umtata represented only 5 percent, it should be noted that only 2 O-D’s operate here and that only 1 responded. Butterworth also has 2 O-D’s, however no response was received from them.

Table 5.5 Respondents by gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Response Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>Female</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Results obtained from analysis of response by gender.

Of the respondents, 100 percent were male. It is evident from this information that there are no female O-D’s.

Table 5.6 Respondents by race.

<table>
<thead>
<tr>
<th>Race</th>
<th>Response Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Coloured</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Black</td>
<td>13</td>
<td>65</td>
</tr>
<tr>
<td>White</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>
**Source:** Results obtained from analysis of response rate by race.

Table 5.6 on the previous page refers to the responses received by the O-D’s and analysed on the basis of race. From the responses, it is evident that more than 60 % (sixty percent) of the O-D’s are black, and the balance of 30 % (thirty percent) and 5 % (five percent) white and coloured respectively.

### 5.4 THE VALIDITY AND RELIABILITY OF THE QUESTIONNAIRE USED IN THE STUDY

Leedy (1997:32) is of the opinion that validity and reliability are phrases used in association with measuring instruments. The integrity of the study is based on the authoritativeness and credibility of a piece of work and, as such, it is important that the study should meet the demands of validity and reliability. A precise explanation of the concepts will follow with a description of their relationship to the study that was conducted.

#### 5.4.1 Validity

Leedy (1997:32) continues that validity is concerned with the reliability and efficacy of the measuring instrument. Does it measure what it is intended to measure or not, and how factual is that survey? In the status of this study, does the questionnaire measure what it was intended to measure?
According to Leedy (1997:33) there are several types of validity. These are:

- **Face validity**: This relates to a subjective validity where the questions are examined to establish their relationship to the subject under debate. Face validity refers to whether the questions seem appropriate;

- **Criterion validity**: Here the validity is determined by relating a performance measure to another measure that may be set as a standard against which to measure results;

- **Content validity**: There is a relationship between content validity and face validity and it is the point at which the precision of the instrument in measuring the factors of concern to the survey is assessed;

- **Construct validity**: This is the degree to which the content of the study is measured by the questionnaire. In this situation the content refers to the question, “What barriers are experienced by Owner-Drivers in setting up and conducting a business?”;

- **Internal validity**: This refers to the independence from prejudice in formulating conclusions originating from data received;

- **External validity**: This is the extent to which the conclusions reached in the study may be embraced.

In this study, face validity, content validity and construct validity were used. In using the above-mentioned validation methods, the opinion of informed [ ? ] was taken into account in the form of the pilot study. The pilot study was conducted amongst people associated with O-D’s in the various schemes employed. In addition the guidance and advice of a senior individual in the MBA unit of the PE Technikon was sought.
5.4.2 Reliability

According to Leedy (1997:35) reliability is seen as the evenness with which the measuring instrument performs. This implies that apart from delivering accurate results, the measuring instrument must produce comparable results consistently. Singleton, Straits and Straits (1993:121) state that reliability may be improved by conducting investigative studies in the sphere of interest or by performing pre-tests on a small sample of individuals in uniqueness to the target group. In the study under consideration, both were accomplished by the researcher in the form of an extensive literature study and the pilot survey conducted. The intention of the pilot study was to make certain that all the questions were clearly understood, unambiguous and relevant.

5.4.3 Quantitative analysis of results of section B of the questionnaire.

The questions in section B were designed to measure the consensus of Owner-Drivers in the delimited area with the list of characteristics proposed. The study was designed to determine those items listed that received support from the respondents. Table 5.7 shows the responses to the questions. The numbers quoted in orange represent the majority responses in terms of numbers. The total amount of respondents amount to twenty (20) and the figure shown represents the responses out of the twenty (20).
**Table 5.7  Responses to the questions.**

**O-D CHARACTERISTICS**

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.1 An O-D needs a high level of self-confidence.</td>
<td>3</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.2 An O-D needs too have guts and determination.</td>
<td>15</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.3 An O-D must be able to lead his employees.</td>
<td>2</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.4 An O-D must be self motivated in his business.</td>
<td>16</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.5 An O-D must be enthusiastic about his business.</td>
<td>3</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.6 An O-D must make sacrifices (give up weekends, work overtime etc.) to be successful.</td>
<td>16</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.7 An O-D must have good problem solving abilities.</td>
<td>1</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.8 An O-D must be an honest person.</td>
<td>4</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

O-D characteristics relate to the personal qualities and character traits that an O-D is required to have and includes some of the entrepreneurial skills. The questions asked above refer more to the “guts and determination” of the individual and to a lesser extent the leadership qualities required. The results from this section (highlighted in red) seem to indicate that most of the responses agree to the qualities that are required by the individual.

It can also be concluded that the O-D must be a leader rather than a follower and have a certain degree of integrity in order to manage the business successfully.
## EDUCATION & TRAINING

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.1 An O-D should at least have a matric / Std 10.</td>
<td></td>
<td></td>
<td>3</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>2.1.2 It is vital for an O-D to be able to read &amp; write in English.</td>
<td></td>
<td></td>
<td>3</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>2.1.3 An O-D should be able to do basic calculations, such as calculate fuel consumption &amp; running costs.</td>
<td></td>
<td></td>
<td>5</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>2.1.4 An O-D needs to have a basic understanding of financial accounting.</td>
<td></td>
<td></td>
<td>1</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>2.1.5 An O-D should have prior business experience.</td>
<td></td>
<td></td>
<td>2</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>2.1.6 An O-D needs business training before joining an O-D scheme</td>
<td></td>
<td></td>
<td>6</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>2.1.7 An O-D must be able to solve problems all the time</td>
<td></td>
<td></td>
<td>2</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>2.1.8 An O-D needs to understand the effects of inflation &amp; interest rates (economics) on his business.</td>
<td></td>
<td></td>
<td>3</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>2.1.9 An O-D needs to understand the pro’s &amp; con’s of an O-D scheme before signing a contract.</td>
<td></td>
<td></td>
<td>8</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>2.1.10 An O-D must understand exactly what his contract entails.</td>
<td></td>
<td></td>
<td>12</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>2.1.11 An O-D’s expectations will be more realistic with adequate prior training.</td>
<td></td>
<td></td>
<td>1</td>
<td>19</td>
<td></td>
</tr>
</tbody>
</table>

This part of the questionnaire is an attempt to identify the needs of the O-D, both before and during the various O-D phases that he might go through during the lifetime of his business. In essence it might be termed as common sense business skills and training that is required. This particular area may be regarded as one of the most important, as it forms the basis of the O-D business, especially in relation to business practices. The analysis from this section strongly indicate that adequate training is required and that the O-D needs to be well aware of the implications of being in business.
Employment practices are largely related to Human Resource matters and indicate the level of knowledge that might be required in managing staff and understanding the labour laws that apply. Based on interviews with O-D’s it was evident that O-D’s lacked knowledge in areas of labour relations, especially regarding the laws that govern the employing and management of staff. The responses (highlighted in red) indicate that an understanding of employment practices is required. This is to ensure that the business operates smoothly, without any labour disruptions that might arise as a result of ignorance on the side of the O-D.

As the Basic Conditions of Employment Act governs the employment of individuals, it is imperative that these guidelines are known and adhered to. Employment contracts and

<table>
<thead>
<tr>
<th>Topic</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.1 An O-D needs to clearly understand the Basic Conditions of Employment Act.</td>
<td>7</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.2 Part of an O-D’s duties / functions is to manage employees.</td>
<td>1</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.3 An O-D needs to understand disciplinary procedures and how to apply them.</td>
<td>3</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.4 An O-D must understand how to compensate his employees for work done.</td>
<td>1</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
other related contractual obligations need to be adhered to to protect both the employer and employee.

Financial Aspects / Asset Management

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.1</td>
<td>I prefer to purchase goods on credit and pay my account on time.</td>
<td>2</td>
<td>16</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>4.1.2</td>
<td>During the last 3 years, I have received judgements / final demands from suppliers of goods.</td>
<td></td>
<td></td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>4.1.3</td>
<td>I have experience in operating a cheque book / credit card.</td>
<td>12</td>
<td></td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>4.1.4</td>
<td>I prefer to buy goods on account / credit rather than to pay cash for it.</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>4.1.5</td>
<td>The potential for me to earn a reasonable income was a motivating factor for me to become an O-D.</td>
<td>2</td>
<td></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>4.1.6</td>
<td>I had a salary expectation when I joined the O-D scheme.</td>
<td>18</td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>4.1.7</td>
<td>As an O-D, my expenses exceed my income.</td>
<td>18</td>
<td></td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

‘Financial aspects and Asset Management’ is an attempt to identify areas of concern with regard to personal financial matters and trends of O-D’s with relation to personal management of income and expenditure. The questions in this section identify potential problem areas that might exist and arise and that might have an impact on the financial aspect of the business. Judgements have an impact on the business, especially when doing business banking. Experience with cheque books is an indication of previous financial experience and whether financial management needs to be included in the training of the O-D. Based on the analysis of the above data, it is evident that money management is a
priority and that in order to achieve some measure of success in the business, this particular area requires attention.

**GENERAL**

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.1 The truck I have is suitable for my needs as an O-D.</td>
<td></td>
<td>10</td>
<td>2</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>5.1.2 I have no regrets about being an O-D.</td>
<td></td>
<td>4</td>
<td>12</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>5.1.3 An O-D should get support from the company he is contracted to.</td>
<td></td>
<td>6</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1.3 An O-D should have a Business Advisor to manage the business.</td>
<td></td>
<td>6</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1.4 An O-D should have adequate technical knowledge about his truck.</td>
<td></td>
<td>18</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>5.1.5 An O-D should be fully committed to the O-D scheme.</td>
<td></td>
<td>17</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1.6 An O-D should understand what HIV / AIDS is, and the complications of the disease.</td>
<td></td>
<td>7</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1.7 An O-D should understand the need to be healthy in order to obtain health and life insurance.</td>
<td></td>
<td>15</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1.8 O-D schemes in South Africa have a good future.</td>
<td></td>
<td>14</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>5.1.9 I wanted to become an O-D to secure my financial future.</td>
<td></td>
<td>6</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The ‘General’ category consists of questions that do not fit into any particular category. They are broad-based questions to get an indication of various matters that might have a bearing on the O-D and his business. Most of the questions have a leaning toward what might make the business a success and the support systems that go with that business. These would include technical knowledge of the vehicle and, more importantly, the health of the business to ensure continuation of the business for an undisclosed period.
thus ensuring a financial income stream. The analysis of the questions in this section strongly indicate that the suggestions made in this paper are supported by the O-D’s who responded.

Table 5.8  Vote count percentage.

<table>
<thead>
<tr>
<th>OVERALL VOTE COUNT PERCENTAGE</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STRONGLY AGREE</td>
<td>1</td>
<td>141</td>
<td>18 %</td>
</tr>
<tr>
<td>AGREE</td>
<td>2</td>
<td>513</td>
<td>64 %</td>
</tr>
<tr>
<td>UNCERTAIN</td>
<td>3</td>
<td>18</td>
<td>2 %</td>
</tr>
<tr>
<td>DISAGREE</td>
<td>4</td>
<td>104</td>
<td>12 %</td>
</tr>
<tr>
<td>STRONGLY DISAGREE</td>
<td>5</td>
<td>4</td>
<td>4 %</td>
</tr>
</tbody>
</table>

Source: Results obtained from analysis of Questionnaire

It has been determined from the overall vote count that approximately 82 percent either agree or strongly agree with the list of traits proposed by the researcher.

Some of the questions regarding personal finances were worded in such a manner as to obtain a negative response. The fact that this information was obtained further enhances the view of the researcher that the O-D’s are attempting to live within their income capabilities, despite the fact that many O-D’s draw a higher salary than what they should or what their business can afford to pay them.

The responses obtained from questions relating to purchases of consumer goods on cash or account basis also indicates that 50 percent of the respondents prefer to make
purchases on credit or on their account, rather than pay cash for their purchases. This might be indicative of their lifestyle, where goods are easier to obtain on credit and to pay the high interest rate that is charged over a period of time. Some of the O-D’s spoken to felt that this was acceptable practice, as things like furniture and household appliances are more of a status issue than that of a real need for the product purchased.

Questions relating to legal notification for the recovery of outstanding monies owed obtained a 90 percent response for DO NOT AGREE, which is an indication that during the last 3 years the personal financial affairs of the O-D are being better managed. It was also evident to the researcher that going back further than the three years, problems did occur with suppliers of goods. Evidence of this manifested itself in the form of financial institutions not wanting to open formal business bank accounts because of poor credit history in the past and information obtained from ITC.

Most of the questions in the categories of O-D Characteristics and Education & Training received an overwhelmingly positive response, indicating that the characteristics and training proposed by the researcher are legitimate. It is also evident that the companies operating O-D schemes do not have any formal or informal training programme in place to address the shortcomings that the researcher has identified, to improve the caliber of the O-D.
5.5 CONCLUSIONS

The purpose of this chapter was to set out the planning, the execution and the results of the empirical study. The research population was clearly defined and a questionnaire was developed, based on the list of characteristics and training requirements developed from information gained from the literature study. An accompanying letter for the questionnaire was composed and the questionnaire posted and faxed to potential respondents. In the discussion, reference is made to the fact that a satisfactory response rate was achieved through a follow up via telephonic means with potential respondents after the due date.

The results of the empirical study were analysed to verify the amount of consensus with the theoretical list that was developed following the literature study. Evidence also exists that O-D’s require support in their business and that suitably qualified people, in the form of support structures, will help guide and assist with business matters. The conclusion that can be reached from the empirical study is that there is substantial support for the factors contained in the theoretical characteristics and education and training requirements. Based on the responses to the questions asked, there is overwhelming evidence that most of the O-D’s are not fully prepared when entering the O-D scheme and require guidance in understanding what their obligations are and what is required of them.

The questions in the questionnaire were generally closed-type questions. However some of the questions were also leading-type questions that would invoke the response to
support the theories that are made in this paper. The questions were also grouped into categories, theses categories being relevant to factors in the O-D’s business environment. Also, the questions asked received the desired response in the form of agreement to most of the statements made. In the following Chapter, the proposed model will be drawn up, recommendations made and conclusions drawn.
Figure 1.2

A

UNDERSTANDING EXTERNAL FACTORS
• AIDS / HIV
• Racism
• Unco-Operative Financial Institution
• Lack of Education
• Lack of Training and Development

B

HOW DOES IT IMPACT ON THE OWNER – DRIVER BUSINESS?

C

UNDERSTANDING THE IMPACT
• Poor Management Skills
• Financial Mismanagement
• Limited Business Success
• Debt Problems
• Inability to Obtain Business Finance
• Cancellation of Contract
• No Life Insurance Cover

D

REACTING TO ENVIRONMENTAL TURBULENCE: TRAINING & DEVELOPMENT (model)
• Competencies and Traits
• Lifestyle Training and Management
• Vehicle Training and Management
• Business Management Training
• Financial Management Training
• Leadership Training
• Human Resources Training

E

Outsourcing Management Functions to Third Parties Implementation Model

F

END RESULT

EFFECTIVE SOLUTIONS FOR OWNER – DRIVER MANAGEMENT & IMPLEMENTATION
CHAPTER 6

FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

6.1 INTRODUCTION

In this particular chapter, the training and development needs will be assessed and a suitable programme and implementation model that would be applicable to the O-D, in terms of business and entrepreneurial skills will be developed, this being based on the data obtained from the empirical study. General training refers to training in which employees gain skills that can be used in the workplace. This would include education, which would consist of basic reading and writing skills. Development on the other hand is associated with methods and activities designed to enhance the skill of managers or future managers.

Figure 6.1 illustrates the final stage of O-D implementation and management. It identifies effective solutions to be used by implementation agents.
6.2 EFFECTIVE SOLUTION FOR O-D MANAGEMENT AND IMPLEMENTATION

1. Performance Indicator Assessments.
   - Driver Performance Indicator

2. Assessment of Competencies.
   - Measurement of competence.
   - Workplace assessment.

3. Recruitment & Interview
   - Identify potential candidates
   - Advertise internally / externally
   - Screen candidates
   - Matching of candidate to required specification
   - Initial interview
   - Follow up interview

4. Psychometric Tests
   - Std. Psychometric tests adapted / modified for O-D application.

5. Credit Reference Check
   - ITC reference check.
   - Banking history
   - Financial history (debt problems)

6. Physical Health Condition
   - AIDS / HIV Testing
   - Satisfy RTA requirements
   - Satisfy Insurance conditions
   - Satisfy company conditions

Source: Researcher’s own construction

Figure 6.1

- PROVIDE
  - Lifestyle Training Management
  - Vehicle Training Management
  - Business Management training
  - Leadership Training
6.3 Identification of

As O-D’s are sourced from the within the employee pool in the company, this is the best place to start looking for potential candidates. Once the O-D programme is in the start up phase, potential candidates must be approached, and the strategy for distribution as well as the concept of the O-D scheme explained. Interested candidates, should also voluntarily approach the company and make inquiries, this showing some form of initiative from the employee. With this initial recruiting stage, a broad overview needs to be communicated via print and information sessions to explain the mechanism of the scheme. This will have the effect of an open and transparent communication and leave no room for possible misconceptions that might exist in the form of rumors or gossip.

A possibility in the communication is to list the requirements being sought, provided that they fall within the guidelines of the Labour Legislation. This will have the effect of no discrimination taking place. Some of the criteria could be:

- A driver with approximately three to five years (3-5) driving experience.
- Ability to communicate (written and verbal) in English.
- Minimum education level of matric / std. 10.
- Above average performance / track record within the company.
- Ambition to become an entrepreneur or self-employed.
6.2.1 Performance Indicators

Waterhouse and Crook (1995:171) quote Fletcher and Williams as having said that a method such as job analysis should be used to identify specific performance criteria. These can fall into three categories, viz.

- Job or task orientated, emphasising work outcomes or activities;
- Worker orientated, emphasising the behaviour of the job holder;
- Abilities orientated, focusing on the underlying abilities or aptitudes required to perform a job.

In this particular context, during the evaluation process, it must be established what the current and past performance levels of the candidate are. This is particularly applicable to internal candidates. In order for fairness and impartiality to prevail, a uniform standard is recommended to act as a tool to apply this uniform approach. The most suitable individual to carry out this function would be the person who has had the most interaction with the candidate and can evaluate performance levels based on experience. This particular individual could for example be the distribution manager.

A typical example of the criteria to be used could be:

- An independent report on the driving skills of the potential O-D from an external source.
- Understanding of the tacholog and its functions.
• Complaints / compliments received from clients.

• A time frame for a specific task adhered to. Eg. A load from Port Elizabeth to Durban is allowed a time of approximately fourteen hours. How long does the driver take? i.e. Actual vs Standard.

• Communication with relevant people regarding delays, breakdowns etc., ensuring contingency or forward planning.

• History of traffic fines, either for speeding or for overloading.

• Punctuality with picking up and delivering scheduled loads.

6.2.2 Workplace Assessment

During this phase, evidence is gathered to determine the level of employee competence. Competence, according to Waterhouse and Crook (1995:179) can be defined as the set of attitudes, skills and knowledge which a person needs in order to perform a particular job according to a competent standard.

6.2.3 Recruitment & Interviewing

The recruitment specification is a systematic analysis of those attributes that the ideal person should possess in order to be able to perform the required tasks. In this specification, the important characteristics of the individual are itemised. In this section, the general biographical and personality factors or traits of the ideal candidate are also listed. This recruitment specification consists of a number of competencies and criteria
which need to be encompassed in the recruitment specification and must be related to the job description and competency standard.

According to Hellriegel–Slocum (1996:379), a popular screening technique that is gaining popularity is the realistic job preview, which clearly shows candidates job tasks or requirements, thus pointing out its good and bad aspects. In simple terms, screening of the applicants can eliminate unsuitable candidates and retain those who might have potential.

During the interviewing process, only selected candidates will be interviewed. According to Hellriegel-Slocum (1996:380), situational interviews that probe what the applicant would do in different situations are better predictors of performance than job-related interviews that focus on past work behaviour and job related information. In turn, job related interviews are more valid than psychologically based interviews that assess personal traits. In the case of an internal recruiting, more information on the candidate will be available, as it is more likely that the interviewer will know the applicant and know more aspects about his ability.

6.2.4 Psychometric testing

Psychometric testing takes a variety of forms but should only be carried out by trained staff. According to Waterhouse and Crook (1995:184), psychometric tests should are best when used in conjunction with other processes, such as competency based interviews, or
as part of an assessment center. It is further stated that these tests come in two basic forms: aptitude tests and personality questionnaires.

- **Aptitude tests**: these have been designed to measure a wide range of practical and intellectual abilities and produce a score. This score can be used against national norms for various categories of staff.

- **Personality questionnaires**: questionnaires do not measure ability but do record personal preferences. They also produce a profile which will serve to indicate how a person will naturally respond in any given situation. In the case of the O-D, the psychometric tests should be adapted specifically for the O-D, where learning abilities, memory and understanding, numeric ability (calculations that O-D’s are faced with) and an evaluation of written material which an O-D is likely to be subjected to.

### 6.2.5 Credit or Reference Check

Due to the problems mentioned previously with regard to opening a business banking account, it is imperative that a credit worthiness check be done on the potential candidate to ensure that should he be selected, he is in a position to formalise some of his business matters. It would be advisable to get references from the banking institution and from I.T.C. This will also be an indication of how the potential O-D manages his financial matters. Once this is done and the results obtained, the next step can be determined.
6.2.6 Physical and Health Condition

As indicated in questions relating to health, the O-D needs to understand the need to be in good physical shape. This aspect is important, as hours driving a truck can require a special skill and level of fitness. Although it is evident that many of the drivers of trucks are currently unfit, this is a current requirement from many companies that drivers obtain medical fitness check ups on a regular basis. Obesity is one of the major concerns and stems from the unhealthy eating habits formed as a result of the lifestyle.

Another health aspect to consider, and also the most controversial, is the HIV / AIDS factor. Questions relating to HIV/AIDS also indicated that the O-D understand what HIV / AIDS is all about and the complications that result from being HIV positive. At this point it is deemed an invasion of privacy if AIDS testing is done. However this testing will prevent future problems. Problems associated with being HIV positive, result in no insurance cover for the life of the O-D, and the long-term future of the business being placed in jeopardy. Although no discrimination may occur in the appointment of an individual that has been diagnosed with HIV / AIDS, there is the risk to the future survival of the business. With more awareness being created about the epidemic in the form of education and training, hopefully the long-term outlook will be optimistic.

6.3 LIFESTYLE TRAINING & MANAGEMENT

In simplified terms, lifestyle training refers to day-to-day matters and are not necessarily to business issues. However it is guided by business principles. There is the tendency for
many employees to live from day to day or on credit, without realising the cost implication of buying on credit or that it is necessary to save some of their income. This is emphasised due to the response obtained from questions related to the purchase of goods on cash or credit, where 50 (fifty) percent of the respondents preferred to buy goods on credit rather than pay cash for it. In this aspect of the training, the following needs to be covered:

- The implications of buying goods on credit versus cash purchases.
- Explanation of interest charges on goods purchased on credit.
- Why we need to save money?
- Why do we need to provide for retirement?
- The reasons why tax is paid.
- The need to have insurance for funerals and different types of policies for funeral cover.
- How the income is made up.
- The differences between gross pay and net pay.
- Explanation of what the deductions are from the salaries.

Although the outline is simple, it will give a better understanding to the O-D of how to plan for the future and also provide the knowledge that might be lacking in specific areas that are related to their lifestyle.
6.4 VEHICLE TRAINING & MANAGEMENT

Vehicle education and training represents an important aspect of the business, one that is often neglected or ignored, and usually resulting in dire consequences. Questions relating to vehicle technical knowledge seem to confirm that O-D’s feel that they have adequate technical knowledge of their vehicle. However, it is important to be educated on the mechanical aspect of the vehicle in order to aid in diagnosing problems and to do some preventative maintenance, which can be carried out by the O-D himself. This will have the benefit of saving him money for minor repairs. The key to maintaining vehicle reliability remains adhering to a regular maintenance schedule. In some instances, newer vehicles (such as the Mercedes Actros) have service indicator lights which indicate when the truck needs to be serviced. This, although available in newer trucks only, helps eliminate the guesswork from deciding when a truck needs to be serviced. Included in this training needs to be the ability to calculate fuel consumption, as this will indicate poor driving style, the need for servicing or the impact of high fuel consumption on the business. In this part of the training programme, the following aspects of vehicle maintenance need to be communicated:

6.4.1 The Vehicle

In this section the physical aspects of the vehicle are checked and monitored for compliance against vehicle roadworthiness.

- Daily / Weekly checks include the following:
- Checking engine oil level.
- Ensuring that the correct grade of engine oil is used for top up purposes.
- Checking the coolant in the radiator.
- Battery water level.
- Visual inspection of engine compartment for oil / water leaks etc.
- Checking of lights and indicators to make sure they are operational and functionality.
- Checking of windscreen for cracks and chips.
- Checking of wiper blades and washer condition to ensure functional.
- Checking interior dashboard gauges to ensure operating condition.

- Regular Maintenance.

This would include keeping of a service log book to keep track of when service intervals need to be made, oil and filters changed, air filter renewed, anti-freeze added and brake wear checked. Depending on the vehicle type and purpose for which it is used, service intervals will vary from vehicle to vehicle. The service log book helps to keep track of when specific items were replaced and the need for future maintenance.

The above can be done by means of developing a checklist, either by the O-D himself or with the assistance of the management company. This will thus ensure that all the necessary checks to ensure roadworthiness is carried out on a frequent basis.
6.4.2 Tyre Maintenance

As tyre costs are a major contributing factor toward maintenance costs, their care is important as well maintained tyres can result in extended mileage as well as good retreading possibilities, which have financial benefits. Some of the tyre training should involve the following:

- Regular (three times a week) tyre pressure checks to be done when tyres are cold. Under-inflated tyres cause increased rolling resistance, thereby increasing fuel consumption whereas over-inflated tyres cause premature wear.
- Visual inspection to check for any signs of uneven wear. (stones / cuts etc.)
- If uneven wear detected, wheel alignment is necessary.
- Visual inspection to check if tread is separating from casing.
- The need for matching the same tread pattern on an axle.

In many instances, once a service provider is identified, part of the service would include the above on a frequent basis as well as offer advice on how to obtain the optimum mileage and value from the tyres. An example of this is the service provided by Maxiprest. In vehicle training and management, the impact which any of the maintenance or tyre factors can have on the the profitability of the business, must be emphasised during training sessions.
6.5 BUSINESS MANAGEMENT TRAINING

It must be established which skills in business management would be required to suit the
needs of the O-D in order for the O-D to understand the mechanics of his particular
business. If the O-D had to be categorised into a managerial level, he will fall into the
First line Manager category. According to Hellriegel Slocum (1996:28), the following
managerial skills are of relative importance at this management level.

![Skills Chart]


A further breakdown of the skills mentioned on the previous page are as follows:

Technical:

- Computer literacy
- Marketing and Sales
- Production

Interpersonal:

- Emphasize ethics
- Manage Human Resources
- Re-assign or terminate services of unsatisfactory employees

Conceptual:

- Formulate strategy
- Convey strong sense of vision
- Plan for management succession
- Understand International economics and politics

**Communication:**

- Communicate frequently with customers
- Communicate frequently with employees
- Be sensitive to cultural differences

Based on the above, the three most important skills for the O-D are the technical, interpersonal and communication skills. Although the technical skill listed above is not necessarily required of the O-D, the technical skill could be adapted to the technical aspect of the vehicle.

According to van Rensburg (1997:12), business management consists of the following main areas:

- General Management
- Entrepreneurship
- Purchasing and Operational management
- Financial Management
- Marketing Management
- Strategic Management

Questions relating to education and training strongly indicate that business training is required for O-D’s and that a program which aims at addressing these deficiencies is needed.
As part of the management training, the following needs to be discussed in the training programme with the O-D, either by the company implementing the scheme or the management company (refer table 6.1):

- Registration of the business –
- The implications and tax benefits of registering the business in the following forms:
  - Sole Trader
  - Partnership
  - Closed Corporation
  - Private Company
  - Business Trust

Table 6.1 gives an overview of the six business types that are available in South Africa. Each of the listed options has characteristics, which are relevant to the nature of the particular business engaged in.
Table 6.1  The forms of business

Source: van Rensburg (1997:36)

6.6 LEADERSHIP TRAINING

In a question related to leadership, there was a 90 percent of the respondents agreed that an O-D must be able to lead his employees. There is sufficient motivation from this result to indicate that there is a need for leadership for O-D’s. It must be borne in mind that the type of leadership which will be required will cater for an unsophisticated workforce and not the type that would be required in a corporate environment.

According to Rothschild (1993:3) leaders have different styles, which are appropriate at certain seasons of the business, and which share many characteristics. They are:

- Leaders are committed to having their organisations survive and prosper;
• Leaders focus on making the institutions unique;
• Leaders have a rare blend of insight, intuition and analytical abilities;
• Leaders attract, recruit, motivate and maintain the right players on their team;
• Leaders are consistent and predictable;
• Leaders not only know where they want to go, they realise when it is time to get out.

Based on the above, we can conclude that there is no perfect leader, as some excel in certain areas, and are lacking in others. It is also the opinion of Rothschild that leaders are born and cannot be developed unless they have a natural ability to lead.

The characteristics of good leaders according to Vlamis (1999:61) are:
• The ability to build a collectively owned vision of the future;
• The ability to build an environment in which discomfort and candor are the main ingredients;
• The heart of leadership is the recognition that you have to take care of your people;
• Learning;
• The ability to build adult-to-adult relationships at all levels of the organisation.

Based on the information provided above, it can be assumed that leadership skills cannot be taught, but are inherently characteristic of the individual. However, this should not stop the progress that needs to be made in training with regard to leadership qualities that an O-D should possess.
6.7 THE VALUE OF THE RESEARCH CONDUCTED

The motivation behind this study is the unfair pressure being placed on new and current recruits to the O-D scheme, who are entering the formal business environment for the first time. Apart from the driving skill that they possess, there are characteristics and training that needs to be acquired to ensure that they have the opportunity of being successful in their business.

In view of the above, it is felt that the research would be of use to organisations who wish to outsource their distribution function and to those organisations who currently operate O-D schemes. The research would also be of use to organisations who are achieving limited success with their current scheme in its current guise and are looking at ways of salvaging or improving the current situation. The basis for the research was the literature study on the characteristics of the entrepreneur and the external influences that affect the O-D in their business. The latter was obtained by means of personal interviews with O-D’s and those associated with them. Based on this information, a questionnaire was developed and posted and faxed to relevant O-D’s falling within the demarcated area of the research. Upon receipt of the completed questionnaires from the respondents, the results were tabulated and a statistical analysis, using either Microsoft Excel spreadsheet or by means of manual calculation was conducted. The results were tabled and analysed and the degree of support or disagreement of the schedule noted.
6.8 CONCLUSIONS

From the information provided, it is evident that there was acceptance of the characteristics and training requirements for the O-D in the Eastern Cape region. It must also be borne in mind that the success of the O-D and the scheme are not entirely dependant on the O-D himself, but to a large degree on the organisation which is implementing the scheme. As it is an empowerment scheme, every effort should be made to make the previously disadvantaged individual an entrepreneur and make the spirit of the concept come to life. Not all the O-D’s in the scheme will be successful. Some will fail for various reasons. However it is the opinion of the researcher that all the necessary tools should be provided to the O-D, with education and training provided on how to use these newly acquired tools.

In addition to the education and training, a more rigorous evaluation procedure needs to be put in place to evaluate potential O-D’s that are migrating from employee status to that of empowerment initiative. The results of the survey indicate and prove that O-D’s need to gain a better understanding of how a business needs to operate and manage lifestyle issues correctly. Another clear indication is that issues of financial management and discipline need to be addressed as this forms the key to the financial well being of their business.

This research document has tried to identify the apparent gaps that exist in the system, whether it is with the organization or with the methodology used in implementing the system. Emphasis is placed on the services provided by the business advisor, who is key...
to assisting and effectively managing the O-D with his business and attempting to ensure that the business is operated on sound business principles. It is also evident that the services of the business advisor needs to be evaluated in order to ascertain what their capabilities are in terms of providing the correct service to aid the O-D in his endeavor to become a successful entrepreneur. This, in the researchers opinion is an important factor in getting the empowerment process started. Some of the business advisors have the necessary skills that are required in the O-D business, especially from the point of understanding all the issues that surround the O-D business, and these factors need to be taken into account when the O-D’s make their choice as to who their business advisor is to be.

It is the opinion of the researcher that many gaps exist in the system and that these gaps adversely affect the success of the O-D business, thus thwarting the entrepreneurial spirit and empowerment process. This research document in essence is a way forward at addressing the gaps that exist in the current system.
Annexure: 1

3rd December 2000

For attention: The Owner-Driver

Dear Owner-Driver

**SURVEY ON OWNER-DRIVERS – COMPETENCIES, TRAINING & EXTERNAL INFLUENCES AFFECTING YOUR BUSINESS**

Please find attached a questionnaire relating to the above. It would be appreciated if you could complete the questionnaire by the 16th December. This should not take longer than 15 minutes of your time. The information is to be used for research purposes relating to Owner-Drivers.

Once completed please forward to the undersigned in the self-addressed envelope provided, or alternatively please fax back to fax number: 041 3685700.

Your help and co-operation in filling in this questionnaire is greatly appreciated.

Sanjiv Ranchod.
MBA Student

Cell: 083 629 4050
Fax: 041 3685700
Annexure: 2

QUESTIONNAIRE ON A LIST OF CHARACTERISTICS, TRAINING REQUIREMENTS AND ASSET MANAGEMENT FOR OWNER-DRIVERS.

Annexure:

SECTION A: DEMOGRAPHIC DATA

This section of the questionnaire is purely for statistical purposes.

INSTRUCTIONS

Place a cross (X) in the appropriate box.

1. How many employees does your business have in total.

   [ ] 0 – 5  [ ] 6 – 10
   [ ] 11 – 15 [ ] 16 – 20

2. Geographic Location of your business?

   [ ] PE – Uith.  [ ] East
   [ ] Umtata      [ ] Queenstown
   [ ] Other
3. Gender

☐ Male ☐ Female

4. Race

☐ Asian ☐ Black

☐ Coloured ☐ White

Section B: INTRODUCTION

INSTRUCTIONS FOR COMPLETING SECTION B OF THE QUESTIONNAIRE

1 = STRONGLY AGREE
2 = AGREE
3 = UNCERTAIN
4 = DISAGREE
5 = STRONGLY DISAGREE

Please indicate the degree to which you agree / disagree with the following statements.
1.1 **O-D CHARACTERISTICS**

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.1</td>
<td>An O-D needs a high level of self-confidence.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1.1.2</td>
<td>An O-D needs too have guts and determination.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1.1.3</td>
<td>An O-D must be able to lead his employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1.1.4</td>
<td>An O-D must be self motivated in his business.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1.1.5</td>
<td>An O-D must be enthusiastic about his business.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1.1.6</td>
<td>An O-D must make sacrifices (give up weekends, work overtime etc.) to be successful.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1.1.7</td>
<td>An O-D must have good problem solving abilities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1.1.8</td>
<td>An O-D must be an honest person.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
### 2.1 EDUCATION & TRAINING

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.1</td>
<td>An O-D should at least have a matric / Std 10.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.2</td>
<td>It is vital for an O-D to be able to read &amp; write in English.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.3</td>
<td>An O-D should be able to do basic calculations, such as calculate fuel consumption &amp; running costs.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.4</td>
<td>An O-D needs to have a basic understanding of financial accounting.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.5</td>
<td>An O-D should have prior business experience.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.6</td>
<td>An O-D needs business training before joining an O-D scheme</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.7</td>
<td>An O-D must be able to solve problems all the time</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.8</td>
<td>An O-D needs to understand the effects of inflation &amp; interest rates (economics) on his business.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.9</td>
<td>An O-D needs to understand the pro’s &amp; con’s of an O-D scheme before signing a contract.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.10</td>
<td>An O-D must understand exactly what his contract entails.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.1.11</td>
<td>An O-D’s expectations will be more realistic with adequate prior training.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
### 3.1 EMPLOYMENT PRACTICES

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.1 An O-D needs to clearly understand the Basic Conditions of Employment Act.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.1.2 Part of an O-D’s duties / functions is to manage employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.1.3 An O-D needs to understand disciplinary procedures and how to apply them.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.1.4 An O-D must understand how to compensate his employees for work done.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.1.5</td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>3.1.6</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>3.1.7</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
</tbody>
</table>
## 4.1 FINANCIAL ASPECTS / ASSET MANAGEMENT

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.1 I prefer to purchase goods on credit and pay my account on time.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.1.2 During the last 3 years, I have received judgements / final</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<tr>
<td>demands from suppliers of goods.</td>
<td></td>
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<tr>
<td>4.1.3 I have experience in operating a cheque book / credit card.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.1.4 I prefer to buy goods on account / credit rather than to pay cash</td>
<td>1</td>
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<td>for it.</td>
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<tr>
<td>4.1.5 The potential for me to earn a reasonable income was a motivating</td>
<td>1</td>
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<tr>
<td>factor for me to become an O-D.</td>
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<tr>
<td>4.1.6 I had a salary expectation when I joined the O-D scheme.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.1.7 As an O-D, my expenses exceed my income.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
5.1 **GENERAL**

<table>
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<tr>
<th>Statement</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.1 The truck I have is suitable for my needs as an O-D.</td>
<td></td>
<td></td>
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<tr>
<td>5.1.2 I have no regrets about being an O-D.</td>
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<tr>
<td>5.1.3 An O-D should get support from the company he is contracted to.</td>
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<tr>
<td>5.1.3 An O-D should have a Business Advisor to manage the business.</td>
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<tr>
<td>5.1.4 An O-D should have adequate technical knowledge about his truck.</td>
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<tr>
<td>5.1.6 An O-D should be fully committed to the O-D scheme.</td>
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<tr>
<td>5.1.6 An O-D should understand what HIV / AIDS is, and the complications of the disease.</td>
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<tr>
<td>5.1.7 An O-D should understand the need to be healthy in order to obtain health and life insurance.</td>
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<tr>
<td>5.1.8 O-D schemes in South Africa have a good future.</td>
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<tr>
<td>5.1.9 I wanted to become an O-D to secure my financial future.</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
REFERENCE LIST:


8. Cardinal freight carriers makes $1.5 million commitment to driver and Owner Operator success. PR Newswire, 12/06/00. No author.


38. SAB Three Year Business Plan – F01 – F03. Unpublished manuscript.


45. The State of Small Business: A report of the President, transmitted to the Congress.


INTERVIEWS

1. Mr. Divyesh Kalan – Kalan Cirrus – Management Company

2. Mr. Carl Scholtz – Kalan Cirrus – Management Company

3. Mr. Trevor Harper – Fisher Hoffman Sithole – Auditing Company

4. Mr. Craig Killian – Wolmarans & Kruger – Auditing Company

5. Mr. Robert Badela – SAB – Port Elizabeth

6. Mr. Celani Nzo – SAB – Queenstown

7. Mr. Desmond Jacobs – SAB – East London

8. Mr. Ivor Derbyshire – Autonet / Freight Dynamics – Port Elizabeth

9. Mr. Anton van Rensburg – Autonet - Johannesburg

10. Mr. Gerhard Bezuidenhout – Autonet / Freight Dynamics – Port Elizabeth

11. Mr. Keith Dommoney – Imperial Cargo – Port Elizabeth

12. Mrs. Claudi Stein – Stannic – Johannesburg

13. Mr. Sean C. – Iveco SA – Johannesburg

14. Mr. Famie Abrhams – La Farge / RMM – Port Elizabeth

15. Mr. Eric Noah – Umtata - Owner Driver

16. Mr. Andre Ferreira – East London- Owner Driver

17. Mr. Vaughn Wicks – East London-Owner Driver

18. Mr. Andrew Wicks –East London- Owner-Driver

19. Mr. Anthony Latola –East London- Owner Driver

20. Mr. Ishmael Ncholu –East London- Owner Driver

21. Mr. Thulile Ralarala – Queenstown-Owner Driver

22. Mr. Aubrey Pikashe –Queenstown- Owner Driver
23. Mr. Welcome Gubeni – East London- Owner Driver
24. Mr. Ronnie Solani – East London- Owner Driver
25. Mr. Nigel Cakathiso – East London- Owner Driver
26. Mr. Bongani Zulu – East London- Owner Driver
27. Mr. Siphiwo Ntlokwana – Umtata- Owner Driver
28. Mr. Babalu Ntlokwana – Umtata- Owner Driver
29. Mr. Vincent Anderson – East London- Owner Driver
30. Mr. Leon Strydom – East London- Owner Driver
31. Mr. Hendrik Kruger – East London- Owner Driver
32. Mr. Hendrik van Niekerk – Port Elizabeth- Owner Driver
33. Mr. Mntwini Donkile – Port Elizabeth- Owner Driver