



## Potentiality of the South African Construction SMME Contractors Globalising within and Beyond the SADC Construction Markets

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### Abstract

The African continent stands on the verge of developmental take-off, most especially the Southern African Development Community (SADC) region being one of the emerging economies. The 15 years SADC strategic plan for implementation of infrastructure and construction development is believed to stimulate economic, social and technological advancement; and increase the competitiveness and sustainability amongst the Small, Medium and Micro Enterprises (SMME) and large contractors within the region and globe. The major problem is that most of the SMME contractors within South Africa, which have the potential to grow into large construction companies and, to further internationalise their businesses lacks the global readiness. Thus, the global thrusts have generated the concepts of globalizing business strategy and operations, as one of the drivers of competitiveness of many countries and organisations. The purpose of this study is to evaluate the potential of the South African construction SMME contractor's capability for globalizing within and beyond the SADC construction market. This study was conducted among the construction SMME contractors in Port Elizabeth, the Eastern Cape Province of South Africa. The qualitative research method was adopted an in-depth interviewing technique with 34 contractors (civil engineering and general building contractors) within the cidb grade 4 to 6 contractors. These SMMEs are being perceived to have the potential capacity to become large-scale construction organisations shortly. Findings revealed that only two SMME contractors are operating internationally while other contracting firms are currently sustainable and competitive in the domestic market, and however, few are planning to go global. The study also revealed that most of the SMME contractors are reluctant to amplify their potential capabilities, and needed the readiness to develop international business strategies that would enable them to penetrate and participate in the SADC region and global construction market. The study recommends that the SA construction contractors both SMME and large contractors should strive earnestly to harness their potential capacity towards globalizing their businesses, strategies and operations frameworks that would foster their global competitiveness.

**Keywords:** Business Strategies, Capability, Globalisation, SMME Contractors, South Africa.

### 1. Introduction

The developing countries are on the verge of infrastructural and developmental take-off, most especially the African continent as one of the emerging economies. This is as a result of their yearnings to bridge

the massive infrastructural deficits, as well as its maintenance that would worth around US\$100 billion per year on the continent over the next decade (KPMG, 2014). Pienaar (2016) claims that infrastructure spending in Africa is estimated to grow from US\$70 billion in 2014 to US\$180 billion per annum by 2025; as new projects and

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the refurbishment of asset infrastructure would be expected to increase by more than 25% from the previous year. However, these infrastructure investment opportunities within the African continent is attracting global construction player attention, to penetrate and participate actively in the design and procurement activities (Pienaar, 2016). KPMG (2014) further revealed that most of the organisations that are planning to gain entrance into the construction market in the African continent have their headquarters in Europe and the Middle East, and many of these organisations are small companies. Thus, this global thrust has generated the concept of globalisation and internationalisation in today's construction-business world. Dugdale (2014) urges the construction SMMEs and large organisations, and their stakeholders to continue innovating, as well as to embrace the ever-changing market structure in today's global market if they aimed to stay competitive. Uddin and Akhter (2011) argued that many organisations are adopting the cross-border alliances (internationalisation/globalisation) strategy to enhance their global transformational business agenda; as well as to gain competitive advantages while utilising the opportunities emerging from the global market. This concept of globalisation and internationalization of organisations is becoming the strategic source of competitiveness and economic sustainability in the global construction businesses (Ibrahim, 2013; Uddin and Akhter, 2011; and Dlungwana and Rwelamila, 2004).

### ***1.2 Concept of Globalisation in the Business Perspective***

Globalisation is the movement of people, resources, goods, services, ideas, language and skills across international spaces (Ibrahim, 2013; and Dlungwana and Rwelamila, 2004). Tallman and Fladmoe-Lindquist (2002) noted that globalisation is the managerial process of an organisation by integrating its global activities into a single world business strategy. This could be achieved through an organisation(s) managing their business networks of differentiated but integrated subsidiaries, affiliates, alliances and associations. Wadiwalla (2003) states that in today's business environment, globalisation is at the forefront, because of the global business expansion, diversification, and deepening of trade. Tallman and Fladmoe-Lindquist (2002) further assert that globalisation adds a new dynamic and strategic dimension towards conducting business because there is a significant potential for gaining a competitive advantage through globalisation.

Blaauw (2013) noted that the Chinese organisations are intensively dominating the Africa construction market, as they are constructing several projects to improve infrastructures, such as roads, electricity, railways and irrigation systems in the Africa continent. Blaauw (2013) further claims that the Chinese organisations' strategic moves and successes in Africa and global construction markets emanate from its strategic integration between business networks of the Chinese companies in Africa and globally. In other words, the Chinese firm's internationalisation method involves a strategic integration that is close and well-structured business network in the form of subsidies and incentives

(Blaauw, 2013). Chew, Yan & Cheah (2009) noted that the Chinese Construction Firms (CCFs) compete largely with others globally. Chew et al. (2009) further argue that the domination by the Chinese contractors in Africa has meant that African construction companies do not just represent a strong source of competition, but also think that African organisations lack financial and technical skills capacity to be in a global landscape of construction markets. However, Chew et al. (2009) also claimed that low skill and technology endowment amongst African contractors had limited the Chinese construction organisations' interest in establishing collaborative ventures with local companies.

### ***1.3 The Study Problem Identification***

There is a lack of global readiness amongst the South African construction SMME contractors that are being perceived to have the potential capacity and capability to globalise their businesses within and beyond the SADC construction market.

### ***1.4 Purpose of the study***

This study aimed to evaluate an in-depth understanding of the South African SMME contractors' capacity and capability to globalise within the SADC construction market and beyond.

## **2. Literature Review**

### ***2.1 Globalisation Forces in the African Construction Industry (CI)***

According to Anugwo and Shakantu (2016); and Ofori (2000), the African continent is playing a vital role in the current and future investments of construction and infrastructural development globally. Ofori (2000) added that globalisation is an inescapable fact for the construction industries in developing countries. As such, the indigenous construction organisations within the continent need to strategise and seize the opportunities on the current globalisation trends, as it is vitally important for the continent going forward (Ofori, 2000). Thus, the construction market is becoming increasingly integrated within the continents that no local markets are immune against external influences (globalization); as such, cannot be insulated from global effects (Anugwo and Shakantu, 2016).

Wadiwalla (2003) states that some of the South African construction organisations have been globalising, as results of business expansion, diversification, deepening of trade within the SADC region, to eliminate the cyclical nature of the construction market within South Africa. Furthermore, Wadiwalla (2003) states that the contracting business in the SADC is being dominated by South African contractors. Tallman and Fladmoe-Lindquist (2002) warn that the organisation, perhaps including construction organisations are becoming multinational firms and their strategic model is intended to engage in resources seeking strategies. These resources-seeking business strategies and models are targeting local complementary resources to gain market entry competitively. Ofori (2000) further argues that through globalisation, the African construction companies can actively help to upgrade and enhance their national

construction industry's capacity. Ofori (2000) reviewed the works of Drewer (1980), which focuses on the need for developing countries to strategically use their construction works opportunities and strategic positions to support the growth and development of their indigenous contractors so that they can replace the foreign firms. In line with this thought, Dulupcu and Isparta (2005) highlighted the positive impacts of globalisation to include; Information and Communication Technology (ICT) capabilities flows; labour hyper-mobility and global distribution of labour; income distribution; capital formation; increase enterprises and production; competition, risk and information sharing; and technological developments for creating new business opportunities. These drivers should be the primary stimulation for strategic government policy in developing countries. In this view, Dulupcu and Isparta (2005) also maintain that the African governments are becoming more sensitive and inclined in creating an enabling business environment, and aiming to enhance their countries' potentiality, competitiveness, and technological advances. Dulupcu and Isparta (2005) added that technological development at national level occurs through their invention, innovation, entrepreneurship, adaptation and modification of pre-existing technologies, and diffusion of technologies amongst firms, individuals, the public sector and foreign organisations.

## ***2.2 The Southern African Development Community (SADC) Regional Market Integrations***

The Southern African Development Community (SADC) is a Regional Economic Community comprises 15 Member States; Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. This was established in 1992 for regional integration towards economic development and for ensuring peace and security (SADC, 2012). The Blueprint Strategy & Policy (BSP) Ltd (2005) claims that globalisation forces have pressured the SADC to deal with the issue of how regional integration might strengthen the regional economy, competitiveness and preparation for global competition.

Thus, on August 2012, SADC Summit endorsed the SADC Regional Infrastructure Development Master Plan (RIDMP) and Regional Indicative Strategic Development Plan (RISDP), as a strategic drive to promote competitiveness and sustainable economic development (SADC, 2012). According to Van Wyngaardt (2015), the RIDMP and RISDP would guide the SADC's strategic development in a seamless and cost-effective approach towards successful implementation of infrastructure development projects. These infrastructure project plans include the development of adequate power, water supply, meteorology and sanitation; developing road and rail transport sectors; and ensuring sufficient and efficient information and communications technology operation (Van Wyngaardt, 2015).

## ***The SADC Regional Infrastructure Development Projects***

According to the SADC (2012), the SADC regional infrastructure development projects gear towards creating a broader market and more significant economic opportunities and competitiveness to promote and sustain regional economic development, trade and investment, and as well as to improve social conditions (SADC, 2012). Furthermore, the SADC (2012) states that its master plan would be implemented over three stages within five-year intervals, ranging from short-term goal (2012-2017), medium-term goal (2017-2022) to the long-term goal (2022-2027). This is in line with the SADC Vision 2027, as a 15-year infrastructure implementation plan, which aimed to progressively deepen the horizon for forecasting infrastructure requirements in the region (SADC, 2012).

Fernandes (2014) highlights the factors for market drivers of the SADC construction sector as economic expansion; demographic growth; increase demands for residential homes, retails, industrial and commercial construction services; increasingly needs for social and physical infrastructure development and maintenance on existing structures; an increase in economic growth through natural resources and economic diversification. Meyer (2016) acknowledged that the construction contractors' business strategies and model towards the affordable housing market and investments in infrastructure in South Africa, as well as within the SADC region are the key to positive prospects for 2016 and going forward. However, the recent South African government housing initiatives are aimed at boosting infrastructure delivery, which are important signals and an opportunity for construction growth and market penetration for both SMME and Large contractors (Mayer, 2016). Mayer (2016) further said that construction contractors' potential growth within the South African market is a competitive business journey. However, there are considerable varieties of opportunities available in the Southern African Development Community (SADC) countries. Thus, there is a need for the SMME contractors to capitalise on their potential capacity to develop adequate international business strategies towards globalising their market horizon and contributing towards their regional competitiveness (Mayer, 2016).

## ***2.3 The Business Concept of Internationalising an Organisation***

Ellis and Williams (1995) state that international trade and business links have increased the complexity of business approach regarding their strategic capability and management ability. It has become a strategic challenge on all sizes of construction organisations because they need the ability to respond appropriately (potentiality and readiness) to the twin pressures of trade liberalisation and international competition (Ellis and Williams, 1995). According to Blaauw (2013), the business mission, vision and strategy of an organisation are essential aspects of the internationalisation and globalisation of their business activities. Therefore, it becomes an ideal for the construction organisations in developing countries to develop and integrate international business strategy into their business strategies. Ellis and Williams (1995) believe that international business strategy is about how an organisation would compete effectively and efficiently

in international markets. Ellis and Williams (1995) further suggest that organisations have to formulate (readiness) and implement their international business strategy (such as international business, strategic management, international finance, organisational development and international marketing), concerning international aspects of industries, companies and their strategies.

According to Younoussi, Jouali & Arwata (2013), the international activities of small firms are attracting growing interest. There is significant interest in the concept of globalisation, internationalisation, entrepreneurship, and small business growth amongst investors and business research scholars. Younoussi et al. (2013) observed that the growing instability of a business environment, because of the waves of integration and liberalisation in the international markets. This wave has dramatically forced the SMMEs to change their strategic behaviour and to adopt the new realities of free trade as the only means of economic sustainability and competitiveness (Younoussi et al., 2013). Blaauw (2013) states that organisations that opt to internationalise and globalise their business process and activities must proactively adapt to the international strategic business measures; while their ultimate goals by collaborating with foreign organisations would be based on gaining a competitive advantage, economic sustainability, and creation of more business opportunities. Younoussi et al. (2013) added that the potential capability, and readiness to develop strategic business strengths, which are to enable an organisation to take advantage of international market(s) have become essential for small businesses grow, especially in developing countries. Thus, the internationalisation of small construction organisation may be achieved through strategic alliance and partnership for competitive advantages; as Uddin and Akhter (2011) alluded that, to achieve competitive advantages, organisations must combine their assets and capabilities into cooperative and mutually beneficial alliances.

According to Mowla (2012), strategic alliances have been perceived as one of the primary sources of organisational competitiveness both in the local and global market. Mowla (2012) further posits that this strategy also creates opportunities for organisations to gain access to external resources, synergies and foster rapid learning and change in business organisations. Supporting this view, Uddin and Akhter (2011) further claimed that, strategic alliances have become a principal source of competitive advantage for many firms (especially small businesses) and have allowed them to cope with increasing organisational and technological complexities that have emerged in the global market. Parvatkar (2011), states that the generic motive for seeking strategic alliances within an industry is to ultimately create and sustain a long-term competitive advantage in a fast-changing business world. This strategy allows organisations to utilise economies of scale, reduce costs, gain knowledge, boost research, investment and development efforts, increase access to new technology, enter new markets, and improve quality (Parvatkar, 2011).

## **2.4 International Business Strategy**

Carpenter and Dunung (2012) posit that globalisation and internationalisation is the shift toward a more interdependent and integrated global economy which creates more significant opportunities for international business both small and large organisations. This process involves exchanges of money for physical goods; resources, such as people, intellectual property, and contractual assets or liabilities (Carpenter and Dunung, 2012). Lockefer (2010) argues that internationalisation could mean the firm's ability to initiate, to develop, and to sustain business operations outside their local market and to integrate with the international economic activities. Lockefer (2010) highlighted the Emerging Market (EM) conditions of firms' capabilities, home country networks and corporate entrepreneurship; and through the home country, network ties are in particular necessary to overcome barriers to internationalization.

Lockefer (2010) further highlighted that the strategic constructs for the firm-specific condition in the internationalisation are the ability to build networks and make use of social relations; ability to build strategic alliances; use of technology and working capital; management experience and capabilities; employee experience and knowledge; contextual experience; firm size and age. This is in line with Dlungwana & Rwelamila (2004) advise that industries in the developing countries, such as South African construction industry, should maintain the continuity in enhancing its capacity at the base levels, and to improve their capacity and readiness to deliver on local and global projects efficiently. Thus, Lockefer (2010) noted that the potential growth of the company; proximity to potential clients; asset seeking; market seeking; efficiency-seeking; resource-seeking; technology-seeking; and economies of scale are the crucial drivers fostering the motivations of internationalisation among the Chinese SMEs.

### ***The Small, Medium and Micro Contractors' Globalisation Readiness, and Potentiality***

The, KPMG Global Construction Survey 2013, found that, about half of 165 senior leaders in the construction and engineering industry globally, are strategically planning to move into new geographical areas and most of them focus their business direction towards the African continent, which has been listed as the most popular and prospect to run a business (KPMG, 2014). However, Pienaar (2016) claims that more projects in sub-Saharan Africa in 2016 compared to the past two years because Africa is only scratching the surface of the real value of the continent; and growth across Africa will exceed growth in the rest of the world significantly for years to come. Also, Anugwo and Shakantu (2016) stated that global readiness could be fostered amongst the local construction contractors by competing both in the domestic and global market through their strategic understanding of the key drivers of the local and global competitiveness and internationalisation business strategies. On the other hand, Wadiwalla (2003) observes that the drivers of globalisation and internationalisation in the African construction market are emanating from the growth of Information, Communication and Technological (ICT) changes; and the regionalisation of the Africa's infrastructures development agendas. Ellis

and Williams (1995) perhaps, noted that the changing dynamics of an organisation's external environment coupled with its internal context, explain what should be expected as the drivers that would motivate the SMME and Large construction organisations to develop a local or international business strategy.

Pienaar (2016) affirms that the strategic success of expanding, industrialisation, globalisation and regional trade within Africa and SADC region should be the primary driver of growth; and this strategy strongly linked to infrastructure and construction products and services, which would offer tremendous opportunities for SMME and large construction contractors within the continent. On the other hand, Corkin, Burke and Davies (2008) claim that Chinese enterprises are promoting entrepreneurship in Africa, through the establishment of new markets and opportunities. This shows that the Chinese companies have more competitive advantages over others (the local and global market players within Africa). This could be as a result of the African contractors' inadequacy and lack of capacity; as Blaauw (2013) noted that the Chinese construction organisations are dominating the Africa continent amongst the local and foreign contractors. Dlungwana and Rwelamila (2004) also alluded that most of the local construction organisations such as SMME contractors fail to undertake the competitive process of globalising their business services. Dlungwana and Rwelamila (2004) believe that SMME contractors can execute small and medium-sized projects and can compete in both the local and global markets. Scarborough (2014) advocates that any business, large or small can in today's globally competitive environment, think or act proactively and strategically of globalising and internationalising their businesses.

Ofori (2000), argues that the peoples' perceptions about internationalisation and globalisation, is one-sided and distorted by regarding it as only the flow of exports

from the industrialised nations to developing countries, which is entirely not the case. Clarifying this distorted perception, Ofori (2000) further elaborates that the international construction market does not lie within the developed countries alone, as some of the organisations exporting construction services and products are coming from the developing countries. For instance, Ofori (2000) emphasized that China as a nation as has several indigenous international contractors, notwithstanding there are present of foreign firms actively participating in their mature project market.

### 3. Research Methodology

This study adopted a qualitative research approach, rooted in the phenomenological paradigm and utilising the in-depth interviewing method. Out of the seventy-four (74) construction organisations in Grades 4-6 of the CIDB register of contractors, thirty-four (34) were purposively selected and interviewed in Port Elizabeth, South Africa. According to Miles, Huberman and Saldana (2014) phenomenological paradigm tend to look at data thematically to extract essences and essentials of researcher respondents (contractors) perceptions and its meaning. A phenomenologist advocates the "need to consider human beings' subjective interpretations, their perceptions of the world (their life-world) as their starting point in understanding social phenomena (Mack, 2010). This method is considered the most appropriate and effective to elicit authentic information and perspectives on globalization and internationalization of businesses. The interviewees are the SMMEs construction business owner's and executive managers as firms' representatives, and strategic position to initiate and drive internationalization business strategies.

Table 1: The profile of the interviewees

Code	cidb Grade	Position	Years of Exp.	Code	cidb Grade	Position	Years of Exp.
D1	4GB	General Manager (Business Owner)	26	E6	5CE	Managing Director (Business Owner)	20
D2	4GB	Managing Director (Business Owner)	+25	E7	5GB	Managing Director (Business Owner)	40
D3	4CE	Executive Manager (Firm's Rep.)	10	E8	5CE	Director (Family Business)	17
D4	4GB	Contract Manager (Firm's Rep.)	8	E9	5GB	Director (Business Owner)	39
D5	4CE	General Manager (Business Owner)	7	E10	5GB	Managing Director (Business Owner)	11
D6	4CE	Managing Director (Business Owner)	15	E11	5CE	General Manager (Family Business)	15
D7	4GB	Managing Director (Business Owner)	17	E12	5GB	Chief Exec. Officer (Business Owner)	20
D8	4GB	Director (Business Owner)	7	E13	5GB	General Manager (Business Owner)	9
D9	4GB	Director (Business Owner)	+10	F1	6GB	Managing Director (Business Owner)	40

D10	4GB	Executive Member (Partnership Business Owners)	13	F2	6CE	Executive Manager (Firm's Rep.)	13
D11	4CE	Managing Director (Partnership Business Owner)	15	F3	6CE	Managing Director (Business Owner)	42
D12	4CE	Operation Manager (Firm's Rep)	15	F4	6CE	Director (Business Owner)	32
D13	4CE	Contract Manager (Firm's Rep)	20	F5	5GB	General Manager (Business Owner)	9

Source: Researcher's Construct (2017)

#### 4. Finding and Discussion

The findings of this research are presented as follows:

##### 4.1 The cidb contractors' grading of the interviewees

The study interviewed 34 interviewees (see Table 1) that have strategic positions, insightful business knowledge and experience in making business decisions in their respective organisations, thus ensuring the validity and accuracy of their responses. By the cidb contractors' grading system, out of 34 interviewees in the study, eight firms (24%) were contractors in the cidb grade '6GB and 6CE'- coded as E1- E8. The, 13 firms (38%) were contractors in the grade '5GB and 5CE'- Coded E1-E13; and another 13 firms (38%) in the cidb grade '4GB and 4CE'- Coded as D1-D13 respectively.

##### 4.2 The Interviewees' Working Experience in Construction Industry

The number of years of experience that the interviewees had in the construction industry ranged between seven (7) and thirty-five (35) years. Thus, 44% had a working experience in construction between seven and 15 years; 32% had worked since 16 to 25 years; while 12% had worked for 26 to 35 and 36 to 45 years in the construction industry respectively.

##### 4.3 Highest Educational Accomplishment of the Interviewees

Concerning educational attainments of interviewees, the study recorded that Diploma Certificates in the built environment and related disciplines were the most common types of qualification attained. Thus, 50% of the interviewees held Diploma Certificates in building, civil engineering, construction management, quantity surveying and business management. However, 26% held Bachelor Degrees in civil engineering, electrical engineering, and construction management and construction economics. 18% of interviewees held only Matric Certificates as their highest educational qualification, although most of them have vast hands-on experience in the construction industry. About 3% of interviewees held honours and master's degrees as their highest educational achievement respectively.

##### 4.4 Theme 1: Globalisation Readiness, International Business Strategy and its Challenges on Construction SMMEs

Interview question: Does your organisation have business plans of operating internationally? Moreover, why?

The South African construction SMME contractors' participation in the global market is at very low pace as this study recorded only two (2) of the thirty-four (34) organisations are actively operating within and beyond the South African construction market. One of the respondents- F1 explained that: "Yes, at this moment, you can call us an international organisation, because we have a subsidiary in Namibia, which started working on a project in Oshakati. However, going international is very daunting, but also very rewarding. We decided to expand into the international market, because of the economic situation in South Africa." Moreover, the other respondent E13 stated that: "We are successfully operating in some other countries in Africa, but it is very challenging but very rewarding at the same time." These findings confirm the assertion made by Lockfeer (2010:18) that internationalisation could mean the firm's ability to initiate, to develop, and to sustain business operations outside their local market and to integrate with the international economic activities. Also, Dlungwana and Rwelamila (2004) view that SMME contractors can execute small and medium-sized projects; and may as well compete in both the local and global markets. Fernandes (2014) states that the factors for market drivers of the SADC construction sector are economic expansion and diversification; demographic growth; and increase demands for residential homes, retail, industrial and commercial construction services.

Thus, 25% are considering globalising within SADC region as a long-term business plan as five respondents highlighted that they have long-term plans to expand nationally before considering expanding internationally. Respondent D12 stated that: "We hope to operate our business in the international market, but unfortunately, we cannot explain the detail of the plans at this moment." This organisational long-term strategic are in line with what, Dugdale (2014) advocated for the construction SMMEs and large organisations to embrace and be part of globalised organisations if they aim to stay competitive. Uddin and Akhter (2011) argued that many organisations are adopting the cross-border alliances (internationalisation/globalisation) strategy to enhance their global transformational business agenda; as well as to gain competitive advantages while utilising the opportunities emerging from the global market.

However, 70% of the organisations interviewed indicated that they have no international business strategy or any strategic business intention to engage in the

international construction market. As one of the respondent D6 stated: "To operate internationally? No! To be honest with you, we have not thought of that in our organisation." While one other respondent (E8) explained their reasons for not having interest in the international market, as follows: "It involves a lot of risk and finances. Moreover, it is resource demanding and yet faced with a lot of government restrictions and restrictive bank policies." E11 explained that: "I have never thought about that as it never crosses my mind to operate internationally". E9 stated: "I do not want to because I am too old, and it is too risky for me." These perceptions are in line with what Ofori, (2000), warned against, which is that the peoples' perceptions about internationalisation and globalisation, is one-sided and distorted by regarding it as only the flow of exports from the industrialised nations to developing countries, which is entirely not the case.

Thus, only 5% of the SMME contractors are participating in the SADC construction market. This 5 % represent two construction organizations that are operating successful business ventures in Oshakati-Namibia and Gaborone area- Botswana with their parent's organization in Port Elizabeth, South Africa.

#### **4.5 Theme 2: Strategic Partnership with Foreign Organisation(s)**

Interview Question: Does your organization have any form of partnership with a foreign organization? Also, why?

On the issue regarding SMME contractors' collaborating and partnering with foreign organisations, some of the respondents refrained from commenting, whilst some commented that their organisations have not yet explored the business opportunities and advantage or perhaps, have not had the opportunity of forming partnership with an international partner both within and beyond South African construction market. They said that they could only consider this option or form a subsidiary organisation if it appears to be feasible and viable for their sustainable growth. Respondent -D12 explained as followed: "We are currently evaluating business options and studying various countries that have shortfalls in the kinds of services we offer, such as specialist civil works; as well as to ascertain if those countries' construction markets have a demand for such services. Then, we can collaborate with foreign organisations or form a subsidiary organisation. However, it is quite difficult to study and ascertain the feasibility and viability of going international, though there are opportunities out there" (D12); and respondent F6 explained that: "we are still in the proposal stage of going international, but we will definitely consider having foreign partners". This inclination of thought is in line with the assertion of, Lockefer (2010) that organisation's potential growth lies in its proximity to potential clients; asset seeking; market seeking; efficiency-seeking; resource-seeking; technology-seeking; and economies of scale as the important drivers fostering and motivating the concept of internationalisation among SMEs.

Thus, the respondent D8 stated that: "Maybe in future, our organisation may consider partnering with some of the Chinese private construction organisations, because I do

not visit China for fun, but for business purposes." However, respondent E12 acknowledged and stated that: "There are opportunities in the international construction market, but we are not yet ready to partner or form an alliance with any foreign organisation." While Respondent E8 stated that: "We can only go into a partnership with foreign organisations if they are interested in working in South Africa". This strategic sense subtly reflects the assertion of this concept of globalization and internationalization or foreign alliance and partnership of organizations is becoming the strategic source of competitiveness and economic sustainability in the global construction businesses (Ibrahim, 2013; Uddin and Akhter, 2011; and Dlungwana and Rwelamila, 2004).

## **5. Conclusions**

The article sets out to evaluate the potentiality and readiness of organisations towards globalizing within the SADC construction market amongst the SMME contractors in the Port Elizabeth, Eastern Cape province, South Africa. The critical review of the literature has shown that African continent, mainly the SADC region is attracting substantial global interest in its construction market; and it is evident that globalization is becoming one of the emerging drivers of competitiveness for various countries and organization in the construction market. As such, the globalization forces are inevitable, and the local SMMEs and large contractors in South Africa must consciously harness their potential capability to create a higher level of readiness towards penetration and participation in the infrastructure developmental take-off within the SADC region and beyond.

Thus, the study revealed that all the respondents interviewed demonstrated that their organisations are sustainable and competitive in the domestic market, and only two out of 34 organisations are operating within and beyond the South African construction market. The study also observed that many of the SMME contractors who are being perceived to have the potential capacity and capability to harness the opportunities in the international market lack readiness, and willingness for globalizing their businesses, to strategically explore, and actively penetrate and participate within the African continent, SADC region and global markets in the nearest future.

The study further revealed that the most challenging factors hindering the capability for the SMME contractors readiness for internationalizing/globalisation their businesses are lack of knowledge and awareness of business opportunities in the global markets; focusing only the risk aspect of going globally, and while neglecting the advantages. Further persistence in the lack of capacity for the South African SMME and large contractors to harness their potential capabilities and readiness, and willingness for globalizing their businesses, to strategically explore, penetrate and participate actively within the African continent, SADC region and global markets may jeopardise and undermine their sustainability and competitiveness in the nearest future. As such, the strategic business and readiness for the South African construction organisations should target to harness and unleash their potentiality in alignment with the global trends as a competitive advantage. However,

strategic positioning regarding huge proposed infrastructure development plans within the Africa and SADC region remains the untapped market opportunities for indigenous construction organisations in the continent to improve its global penetration and participation.

Thus, finally, the study further revealed that there is the potential capability of some the South African SMME contractors to participate actively in the international construction market, particularly in the SADC region; as, 2 out of 34 construction organisations interviewed are actively and successfully operating subsidiary firms in Namibia and Botswana, while handful of them indicated an interest in growing nationally and then globally. This has shown that amongst the SA SMME contractors, some have the capacity and capability to globalise and to

become competitive in the international construction markets.

This study recommends that the South African construction SMME contractors that are listed in Grade 4-6 of the cidb Register of Contractors should gear towards integrating international business strategies into their organisational operation and strategic plans. This strategic business undertaking would enhance their SMME contractors' potential capabilities and readiness for globalization, and heighten their organisations' regional and global economic sustainability and competitiveness. If these recommendations are adhered to, there will be a significant improvement in capacity building and competitiveness amongst SMME contractors in South Africa.

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