



Evaluating the impact of Enterprise and Supplier Development programs

A qualitative study on Small and Medium-Sized Enterprises in South Africa

Bachelor thesis for International Logistics Program

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CHALMERS UNIVERSITY OF TECHNOLOGY
Gothenburg, Sweden, 2022

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PREFACE

This study was conducted by two students studying International Logistics at Chalmers University of Technology during the spring term of 2022. The International Logistic program aims to educate students about the logistics economic, legal, and technical conditions. Three academic years in the program corresponding to 180 higher education credits and a Bachelor of Science. This study amounts to 15 higher education credits that are compatible with the European Credit Transfer and Accumulation System (ECTS).

We are very happy and proud of the study presented below. Already from the start, we knew that we wanted to conduct this research in another part of the world and got the opportunity to travel to Cape Town in South Africa. We contacted the company Pick n Pay that been very helpful already from the start. We want to thank Pick n Pay and our three mentors: Mishinga Seyuba-Kombo, Anze Webster, and Ndivhuwo Ramaliwa for the welcome, support, and guidance we received from them. They made it possible to reach all the suppliers that participated in our research as well as showed us around many different stores and distribution centers. It's been challenging but foremost very instructive.

Lastly, we want to thank our mentor Fredrik Olindersson that made it possible for us to conduct this research abroad. He has been very supportive and helpful from the start when we wanted to do something extraordinary.

We hope that this study will educate new readers and people that are already familiar with the topic.

*Cornelia Karlsson & Fanny Leanderson
Chalmers University of Technology
May 2022*

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SAMMANDRAG

Fattigdom och arbetslöshet är två omfattande problem i Sydafrika. Detta har resulterat i att större företag inom landet arbetar tillsammans med små och medelstora företag (Small and Medium-sized Enterprises) för att minska fattigdomen samt skapa fler arbeten åt den sydafrikanska befolkningen. Sydafrikanska myndigheter har kunnat dra slutsatsen att detta har en positiv inverkan på den ekonomiska tillväxten inom Sydafrika. Denna rapport utfördes på ett av Sydafrikas största detaljhandelsföretag Pick n Pay och syftar till att undersöka och utvärdera vilken inverkan deras Enterprise and Supplier Development (ESD) program har på små och medelstora företags prestation och utveckling. Studien visar på att ESD programmet har en stor inverkan på dessa företag, oavsett företagets storlek. En viktig aspekt som denna studie tar upp, är att stödet och assistansen som från ESD programmet skiljer sig från fall till fall och att alla företag får stöttning som är anpassat till deras specifika behov. Studien har även påvisat att trots att ESD programmet ger företagen assistans och handledning, så är det i slutändan marknaden samt inköparna som avgör om en produkt kommer säljas eller ej. Med andra ord, även om ESD programmet kan hjälpa och ha en betydlig inverkan på de små och medelstora företagen så är det externa faktorer som avgör hur väl ett företag lyckas.

Nyckelord: Supplier Development, SME, Broad-Based Black Economic Empowerment, Sustainable Supply Chain Management, ESD

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ABSTRACT

Unemployment and poverty are major problems within South Africa, which have resulted in bigger companies working with Small and Medium-sized Enterprises (SMEs). Reducing poverty and creating new jobs will positively impact the economic growth in South Africa. This research was conducted at one of South Africa's biggest retailers Pick n Pay and aims towards investigating and evaluating their Enterprise and Supplier Development (ESD) programs' impact on the SME's development and performance. This study shows that the ESD program has a major impact on SMEs, regardless of their size. One important aspect that this study address is that the support and assistance from the ESD program can differ from case to case and that the SMEs gets mentorship that is tailored to their specific needs. The study has also shown that even though the ESD program provides the SMEs with all possible support, is it still the market and buyer that will determine whether a product will reach the market or not. In other words, the ESD program can assist the SMEs and have an extensive impact, it is also important to consider external factors and their impact.

Keywords: Supplier Development, SME, Broad-Based Black Economic Empowerment, Sustainable Supply Chain Management, ESD

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ACRONYMS AND TERMINOLOGY

B-BBEE	Broad-Based Black Economic Empowerment
Buyer	In this report, the buyer refers to a person, group, or corporation who engages in purchasing fast-moving consumer goods for a large retailer within the Business-to-Business market.
CSR	Corporate Social Responsibility
DC	Distribution Center
ESD	Enterprise Supplier Development
GDP	Gross Domestic Product
KPI	Key Performance Indicator
SEDA	Small Enterprise Development Agency
SME	Small and Medium-sized Enterprises
SMME	Small Medium and Micro Enterprises
SSCM	Sustainable Supply Chain Management
Vendors	Entrepreneurs
SC	Supply Chain
SCM	Supply Chain Management

1. INTRODUCTION

Small and Medium-sized Enterprises (SMEs) play a major part in most economies around the world, but they have an even bigger role in developing countries such as South Africa, where unemployment is an extensive problem (Cant & Wiid, 2013). According to Okoumba (2020), SMEs contribute to reducing poverty by creating new jobs that have a positive effect on economic growth in South Africa. Okoumba (2020) also proposes that 55% of the labour and 30% of South Africa's Gross Domestic Product (GDP) comes from SMEs. Even though the SMEs contribute to positive outcomes to the economic growth in South Africa they still experience a wide variety of challenges that affect their productivity. The lack of skills, infrastructure, and access to financial capital has shown to be the biggest obstacle for the SMEs and the main reason why 60% of the SMEs in South Africa fail within a year of operating (Okoumba et al., 2020).

Therefore, in South Africa, it is essential to work with and develop SMEs. One of South Africa's largest retailers within the fast-moving consumer goods market Pick n Pay, has an Enterprise and Supplier Development (ESD) program that strives toward developing SMEs through mentorship, guidance, and various development programs. According to Poee (2016), Enterprise Supplier Development (ESD) program is a strategy to work towards an improved Sustainable Supply Chain to lower supply chain costs, improve environmental impact, and increase the quality of the products. Pick n Pay's intention with this program is to improve Corporate Social Responsibility (CSR) through the support, scale, and sustain of SMEs.

Considering that most SMEs in South Africa operate in various ways due to their altering sizes, business sectors, and locations, the ESD program must support and the SMEs in special and unique ways. It can therefore be hard to measure the impact of the ESD programs. The study will be an investigation into how much and in what way the Enterprise Supplier Development programs influence the SMEs's.

1.1 Background

The background to this report is to get an understanding of the investments from Pick n Pay through the Enterprise Supplier Development (ESD) program pay off, both for the suppliers, buyers, and the company. The ESD program operates between the suppliers and buyers and creates relationships and cooperation between the parties. Pick n Pay wants to see if the investments in both time and costs pay off and go beyond their CSR. The three aims of the program are to support, scale and sustain, the question is how well the suppliers use the tools and resources that Pick n Pay provide them with.

1.2 Aim of the study

This study is about Pick n Pay and its local suppliers within South Africa. The report will cover both sides of the relationship; Pick n Pay and their ESD program and the performance of the SMEs. The study aims to investigate and evaluate the ESD programs' impact on SMEs's development and performance. What indirect or direct result of the SME's performance can be referred to as the ESD program?

1.3 Research questions

- What potential impact has the ESD program had on SME managers and business growth?
 - How does it influence SME managers?
 - How does it affect the SME's business development?

1.4 Delimitations

The study is research-based on Pick n Pay and their Enterprise and Supplier Development (ESD) program department. The company is a retail business operating in an emerging economy within Southern Africa. The report will focus on Small to Medium-sized enterprise (SME) suppliers within fast-moving consumer goods. Pick n Pays local suppliers are divided into two sections, SMEs and local suppliers. This study will only focus on the SMEs that are accepted to the ESD program. All the analyzed suppliers in the conducted research are based in South Africa in either Cape Town or Johannesburg.

This report focuses on all the aspects of sustainability, including the three pillars: economy, society, and the environment. The three principles will be considered in every case (i.e. interviewed participants in the ESD program), but the main focus will be on business development and people. The environmental performance of sustainability will be briefly considered in the report, as it's not the focus for SMEs in a less developed country.

2. THEORY

This chapter will introduce the topic and theory to give the reader a better understanding for the following chapters. The theory part starts with an insight into South Africa's current economic and social situation. Furthermore, governmental policies and institutions, theories about Sustainable Supply Chain Management, and Supplier Development will be introduced. The final part of the theory describes Pick n Pay and its strategy within the Enterprise and Supplier Development program.

2.1 Overview of the economic and social situation in South Africa

South Africa is a country that strives to improve the economic growth and well-being of its citizens (The World Bank, 2021). The country still has not fully recovered from the Apartheid era even after its remarkable achievement of democratic transition in 1994. The society under the apartheid was sufficiently segregated between black and white people. The white minority dominated the economy and polity while the black people lived under basic political and economic freedoms (Rodrik, 2008). The end of the Apartheid was supposed to be the beginning of something new, but the last decade doesn't show any further improvements regarding the economic growth and employment generations.

With an already weak economy, the major impacts of the COVID-19 pandemic are devastating for the country's economy. The economic contraction was measured at 6,4% in 2020 and led to an increase in poverty with 2 million people to an already high percentage of poverty in the country. The percentage of the overall population living below the upper-middle-income-country poverty line in South Africa was estimated up to 60% in 2020. The high percentage of poverty impacts the well-being of South African citizens. In other words, the country facing many socio-economic challenges but the progress in reducing them has stagnated in the last decade. The progress of reducing poverty in the country is undermined due to weak economic growth, high unemployment, and inequality (The World Bank, 2021). The inequality is higher than in most advanced economies and 20% of the poorest households in South Africa earn 1,7% of total income (Organization for Economic Co-operation and Development (OECD), 2021).

Even though COVID-19 had major impacts on the country's economic and social performance, South Africa struggled with its GDP per capita, productivity, and investments before the crisis (OECD, 2021). OECD accounts for the South African GDP per capita and productivity as 77% and respective 69% lower than OECD the best-performed country between the years 2001 and 2009. Investments in their own country have as mentioned also stagnated before the crises. OECD describes how the improvement of resource allocation and job creation ability is crucial to improve the resilience and recovery from the COVID-19 crisis in today's South Africa. The lockdown stagnated economic activity, which worsen the already fragile economic outlook. Policy uncertainty and concerns about state corruption and mismanagement of state-owned enterprises will be investigated (OECD, 2020).

2.1.1 The high unemployment status in South Africa

The country is still facing the challenge of rising unemployment. In the second quarter of last year (2021) the unemployment reached 34,4% which is even higher than the presented 29,2% result in 2020. The ages that reach the highest unemployment rate are young adults between 15 and 24 (The World Bank, 2020).

Diving deeper into the unemployment situation in South Africa, there's an inequality between both gender and race. The Statistic Department of South Africa (2021) states that the opportunity of accessing employment is more favorable for men. In other words, women in the country challenging to get a job and they are more likely to do unpaid work. The difference between the unemployment rate for women and men in the 2nd quarter of 2021 is around 4,4%. The difference between unemployment between races for women is substantial, 41% for black African women, 8,2% for white women, 22,4% for Indian/Asian women, and 29,9% for colored women. Furthermore, the department mentions how equal treatment in the labor market together with equal opportunity is the core of a decent job. Unfortunately, women to a large extent face big challenges to reach decision-making positions, and jobs in certain sectors, and just 76,8% of female employees were entitled to maternity leave in the 2nd quarter of 2021. The share of men who were entitled to paternity leave was higher than maternity leave. Even though the country is working toward gender equality, gender discrimination is still a big problem.

The goal is to achieve productive employment for South African citizens with improved work conditions and equal opportunities to reach the labor market. A higher level of productivity will boost economic growth as well as promoting policies that spur entrepreneurship will create jobs for sustainable development. OECD (2020) concludes that investments and the development of labor-intensive sectors can support job creation. An example of such sectors is tourism and agriculture.

2.2 Governmental Institutions and Policies

Financial support and assistance from the government have an extensive part in Enterprise and Supplier Development. Some of the most essential institutions and policies, 2.2.1 Broad-Based Black Economic Empowerment. The Jobs Fund 2.2.2 and Small Enterprise Development Agency 2.2.3 are presented in the following parts.

2.2.1 Broad-Based Black Economic Empowerment

When the apartheid regime in South Africa was replaced in 1994, the government announced several laws and policies to advocate racial equality in the country. One of the most extensive acts was the *Broad-Based Black Economic Empowerment Act* (B-BBEE) which was announced in 2003. This act was established to empower the economic participation of black people in South Africa (Dreyer *et al.*, 2021) and to drive the integrity of the South African economy. As mentioned above the B-BBEE Act was introduced to target the issues within socio-economic in South Africa and to empower black people to participate and have a part in the economic growth. The B-BBEE Act (53/2003b:4) states that it will empower, all black people, including women, people with disabilities, youth, and people living in agricultural areas (Musabayana & Mutambara, 2022). According to Sibiyá & Barnard (2020) is it significant for listed companies to participate and report about their work with B-BBEE and the companies that wish to engage and conduct business with governmental institutions must comply with the B-BBEE act and acquire a certain level. Companies' compliance is measured by five different aspects:

- **Ownership**
- **Management control**
- **Skills development**
- **Enterprise and Supplier Development**
- **Socio-economic Development**

Musabayana & Mutambara (2022) explains that one of the objectives of the B-BBEE Act (53/2003b:4) is to support and promote both black-owned business and SMEs through Enterprise and Supplier Development (ESD).

2.2.2 The Jobs Fund

The Jobs Fund was established in 2011 by the South African Minister of Finance as an attempt to stabilize the unemployment in the country. The ambition of the Jobs Fund is to co-finance businesses in both public, private, and non-governmental organizations that will contribute to creating jobs in South Africa and accordingly commit to economic growth. According to National Treasury (2012), the foundation implicates the use of public money to activate innovations and investments in movements that will contribute directly to strengthening the creation of employment in South Africa. The Jobs Fund pursues to encourage good ideas, risk takings, and investigations in establishing new ways to work where risks and costs may be unknown to the investors. (*National Treasury, The Jobs Fund 2012*)

2.2.3 Small Enterprise Development Agency (SEDA)

The Small Enterprise Development Agency (Seda) was established in 2004 by the National Small Business Amendment Act – Act 29. Seda's ambition is to flourish and support small enterprises and to promote entrepreneurship by providing non-financial custom-made services. Seda intends to achieve business growth along with a sustainable collaboration between other role players in the industry (*Seda, 2019*) Seda assists small enterprises in all the different phases of running a business.

- **Seda Business Talk** – Assisting in Small Enterprise training, business registration, and information regarding starting a business.
- **Seda Business Start** – Providing information with techniques and tools for entrepreneurs who are ready to start a company.
- **Seda Business Build** – Providing training in different skills for entrepreneurs that want to sustain and strengthen their business. Seda assists with mentorship, capacity-building systems, and franchising.
- **Seda Business Grow** – Assisting small enterprises that want to grow and expand internationally and nationally. Growth strategies and cooperative support are important during this stage.

2.3 Sustainable Supply Chain Management

The concept of Sustainable Supply Chain Management (SSCM) is highly relevant in today's society due to increased globalization and current economic condition. Supply Chain complexity becomes more challenging to organize and merge as it involves more stakeholders and organizations. Another challenge that arises with more complex global supply chains is to achieve sustainability through the chain. With rising environmental and social concerns around the world, sustainability has become an important part and trend in Supply Chain Management (SCM)(Carter & Liane Easton, 2011). In other words, the approach of SCM has broadened as the pressure and attention for sustainability grow. This led to that organization's need to adopt sustainable business practices into the supply chain's core activities like purchasing, distributing, manufacturing, packaging, recycling, etc. That is the creation and delivery of

products and services in a network between its many entities (Gualandris & Kalchschmidt, 2014).

SSCM is management that covers all parts of sustainability; environmental impact, social achievements, and economic contribution. SSCM is a wide and established topic for companies to still focus on economic profitability, growth, and competitiveness as well as reduce environmental impact and prioritize social responsibility (Ortas et al., 2014). As it is a hard-defined model, companies will work towards a sustainable supply chain through different internal and external practices (Gualandris & Kalchschmidt, 2014). Seuring et al (2021) analyze and compare how previous research papers on the topic identify SSCM and the multiple theories that are borrowed into the term. The common outcome is that supply chain management plays an important role in supply chain sustainability. Supplier development is a powerful management tool for both suppliers and buyers (Busse et al., 2016). From a buyer's perspective, supplier development can improve their sustainable supply chain by mitigating potential supply risks and shaping their buyer's supplier base. Suppliers can benefit from the buyer's responsible sustainability strategies and foster cooperation between the parties.

2.3.1 Supplier Development

All efforts made by a buying firm to improve the potential and performance of its suppliers can be defined as supplier development (Krause et al., 2006). Buying firms have started to invest in the development of their supplier in order to reduce costs, receive greater flexibility and quality. These benefits will result in improved performance and create value for both sides. A company can advocate two different types of activities to invest in the supplier. Firstly, the low-involvement activities such as evaluating the suppliers' accomplishments and putting pressure on the supplier. Secondly, high involvement aims for providing the supplier with training, technical assistance, information sharing, and involving the supplier in the development of new products (Wiratmadja & Tahir, 2021).

Supplier development refers to activities that are constructed to improve suppliers' performance and capabilities that will meet the buying firms' short- and long-term supply needs. Busse et al (2016) mention how supplier development traditionally had focused on economic goals and related to suppliers' performance regarding quality, cost, and delivery. The definition today refers to environmental and socio-ethical goals as well. The economic goals are more related to the buying firms' interest, while the impact and support of buyers' sustainability-related practices will improve the environmental and social performance of suppliers and buyers. Sustainability-related practices can refer to learning, mentorship, technical support, joint projects, investments, collaboration, etc. in the supplier and buyer relationship. In addition to improved sustainability performance, the practices can improve the economic performance of the suppliers (Busse et al., 2016).

2.3.2 Enterprise and Supplier Development in South Africa

As previously mentioned, Enterprise and Supplier Development (ESD) are one of the most important elements within the B-BBEE Act (53/2003b:4) as a tool to assist the process of economic participation of black entrepreneurs. According to Pooe (2016), the ESD aspect accounts for roughly 40 % of the contribution that companies in South Africa make toward the general B-BBEE recognition level. Due to this, the Enterprise and Supplier Development is the far most important activity that a company can be embroiled in to obtain a positive B-BBEE level.

Within most organizations is Enterprise Development (ED) and Supplier Development (SD) seen as two different concepts, but this is not applied in the South African context. Within South African literature and management is Enterprise and Supplier Development recognized as one coherent concept, particularly in the legalization of B-BBEE (Sibiya & Barnard, 2020).

ESD has been developed into something considerably important in South Africa because of its high creation of sustainable business, reduction of poverty, and its contribution to decreasing unemployment. It is also of importance because South African companies are struggling with beneficial procurement and therefore is it a need for effectuating their supply chain by engaging in supplier development. Sibiya & Barnard (2020) states that evaluating and monitoring the impact of the ESD program in South Africa is important, this will allow the companies to measure the actual effect of the company investments in ESD.

2.4 Introduction to SMEs

Small and Medium-sized Enterprises (SMEs) are known for being a small business that contributes to creating jobs and accordingly to economic growth. The SMEs also commit to social development, especially in developing countries. Abor, J & Quartey, P. (2010) describe that SMEs are a major topic among politicians, as an attempt to accelerate the growth of low-income countries. Abdulsaleh & Worthington (2013) explain that it is hard to define an SME because there is no single explanation of what criteria the business should obtain. The interpretation of an SME alters in different countries and organizations. Some use capital assets or the number of employees as a measurement while others consider the total turnover or skill of labor within the business. These measures vary scientifically between developed and developing countries (Abor, J & Quartey, P. 2010).

2.4.1 SMEs in South Africa

As mentioned above, SMEs are known for their big contribution to economic growth and especially in developing countries such as South Africa. Okoumba et al., (2020) explain that SMEs in South Africa serve a central part in developing economic growth and creating jobs which then contributes to reduced poverty. As of right now, 90 % of the companies within South Africa are in the SME sector and they contribute to South Africa's Gross Domestic Product (GDP) by approximately 30 %. Okoumba (2020) also proposes that 55 % of the labor force in South Africa comes from the SME sector and Musabayana & Mutambara, (2022) states that SMEs are accountable for roughly 43 % of the total wages and salaries paid within the country. Even though SMEs are contributing to the economic growth of South Africa they're still depending on financial support and promotion from the government. According to Olawale & Garwe (2010), the failure rate of SMEs in South Africa is one of the highest in the world and about 60 % of the companies fail to be established firms.

SMEs within South Africa are defined by two categories, total annual turnover, and the total full-time equivalent of paid employees. Lindiwe D Zulu, Minister of Small Business Development in South Africa (2019) states that SMEs are divided into three different sizes, medium, small, and micro. The National Small Enterprise Act divides the SMEs into 11 different sectors, on which the total annual turnover is based when deciding the size of an SME. This report is only focusing on the agriculture and the manufacturing sector. The different characteristics and classes are summarized and described in the tables below. (See table 1 and 2)

Table 1

Definitions of the SMEs from the National Small Enterprise Act - Agriculture

Size/class of Enterprise	Total full time equivalent of paid employees	Total Annual Turnover (In South African Rand)
Medium	51-250	< 35.0 million
Small	11-50	< 17.0 million
Micro	0-10	< 7.0 million

Comment: A list of the different sizes of SMEs within the agriculture sector is defined in the table. 1 Rand = 0.059 Euro. (11/5-2022) From National Small Enterprise Act (2019)
https://www.gov.za/sites/default/files/gcis_document/201903/423041gon399.pdf

Table 2

Definitions of the SMEs from the National Small Enterprise Act – Manufacturing

Size/class of Enterprise	Total full time equivalent of paid employees	Total Annual Turnover (In South African Rand)
Medium	51 – 250	< 170.0 million
Small	11 – 50	< 50.0 million
Micro	0 – 10	< 10.0 million

Comment: A list of the different sizes of SMEs within the manufacturing sector is defined in the table. 1 Rand = 0.059 Euro. (11/5-2022) From National Small Enterprise Act (2019)
https://www.gov.za/sites/default/files/gcis_document/201903/423041gon399.pdf

When observing the SMEs within the Enterprise and Supplier Development program, Pick n Pay has its measures and requirements for dividing the SMEs into different categories, this will be explained further down in the report.

2.5 Pick n Pay

Pick n Pay is a retail business within the fast-moving consumer goods market in western Africa. The company has close to 2000 stores, both franchised and cooperate stores across South Africa, Namibia, Botswana, Zambia, Eswatini, and Lesotho. Pick n Pay operates through multiple store formats under three different brands; Pick n Pay, TM Supermarket, and Boxer. The different brands are adjusted to customers across all income groups. In other words, being a retailer for all people in the society independent of their income.

In 2021, the company had a turnover of R93 billion with approximately 90 000 employees (Pick n Pay, Integrated Annual Report, 2021). Pick n Pays prime value is ‘‘Doing good is good business’’, the company has over the last eight years played a valuable role in the communities they operate in. They have contributed to economic and social development in South Africa. Pick n Pay’s sustainability strategy is closely linked to its business strategy and during the last eight years the company has created 15.000 new jobs and is striving daily towards helping the community through foundations and food gardens. Furthermore, Pick n Pays supply chain has led to a lot of job creation with more than 400 000 jobs being sustained. (Pick n Pay, 2021)

2.6 Pick n Pay's Enterprise and Supplier Development Program

The Enterprise and Supplier Development (ESD) program within Pick n Pay provides mentorship, guidance, and business development support to 300 Small and Medium-sized Enterprises (SMEs). In Pick n Pay's Sustainable Living Report (2021) it appears that the ambition of the program is to encourage and empower the SMEs to become sustainable suppliers within the retail industry. The key objective of the program is to increase the economic impact of the SMEs and to support them so that they will be able to supply nationally and not only regionally.

The Enterprise and Supplier Development division has three targets that they strive toward; support, scale and sustain. These three missions play a crucial part in the development and encouragement of SMEs. Firstly, the division supports the SMEs by empowering and providing them with mentorship and assistance in business development. The division has an extensive focus on providing development regarding skills. Concerning scale, the company is working towards developing programs and strategies with the ambition to increase the delivery and productivity of the SMEs within the Pick n Pay supply chain. As to the sustain part, the ESD division intends to promote and facilitate all aspects concerning the small supplier development within Pick n Pay.

Expect for the targets mentioned above, the ESD divisions work with three specific aims to fulfill their ambition. Firstly, Pick n Pay strives to increase local procurement by accelerating the SMEs into the supply chain. Secondly, they are working towards developing and improving the quality and range of local products at a competitive price. Finally, they are striving toward providing SMEs with a national platform by creating access to the market. The above-mentioned aspects are fundamental for the ESD division to maintain its leading role in mentoring and encouraging SMEs in becoming more sustainable suppliers within the retail industry.

Pick n Pay's Sustainable Living Report (2021) explains that the company invested R380 million in the Enterprise and Supplier Development initiative in 2021, along with preferential procurement from affected small businesses. The preferential procurements are divided into five different categories. B-BBEE compliant business, black-owned business, black woman-owned business, black-owned SMMEs, and SMMEs (Small Medium and Micro Enterprises).

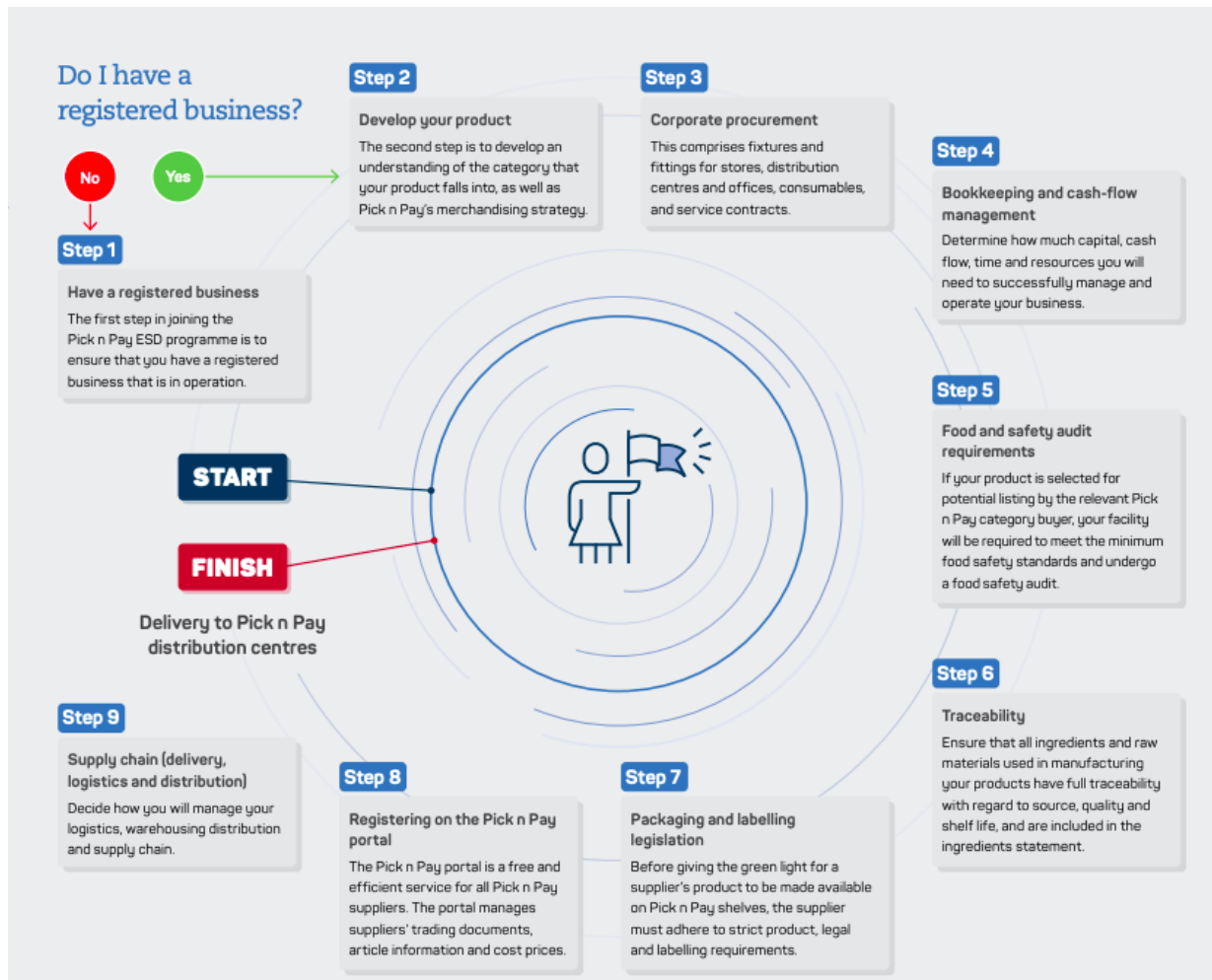
2.6.1 Tool kit and requirements

According to Pick, N Pays Small Suppliers Toolkit (2021) an SME needs to meet numerous minimum requirement standards before the business can be accepted into the ESD program. A business plan checklist is used to determine if the SME meets the requirements or not. The first step in joining the ESD program is to register the business and have a convenient business proposal, with information concerning the product or service. Additionally, an annual financial statement and a VAT registration number with a copy of the clearance certificate needed. When the SMEs have met these minimum requirements, the business will have to follow an additional nine steps before they're retail-ready and can apply for the ESD program.

As mentioned above, these nine steps are of utmost importance to get the SMEs ready for retail and to make sure that the business can deliver to the Pick n Pays distribution center. The steps are further explained in figure 1 below.

Figure 1

Nine steps to determine if the SMEs are retail-ready



Comment: Explanation of the nine steps SMEs are required to achieve before they can apply to the Enterprise and Supplier Development program within Pick n Pay.

From Small Supplier Toolkit by Pick n Pay 2021,

<https://www.pnp.co.za/peoplenplanet/supplier-toolkit>. Reprinted with permission.

2.6.2 SMEs Categories within the ESD program

Once a business has been accepted into the ESD program, it will be placed in one out of four categories, depending on its turnover. Category 1 is called the Small Business Incubator where the SMEs have a turnover of between 0-3 million Rand. Category 2 is termed Enterprise Development and requires the SMEs to have a turnover of between 3-5 million Rand. The third category is called Supplier Development, and the company within this category has a turnover of 5-8 million Rand. The final category is the Thriving Supplier with a required turnover of 8 million and above.

Figure 2

Pick n Pay Preferential Trading and Rebate



Comment: Explanation of what requirements the different categories have regarding turnover and what the different categories are called. From Pick n Pays annual report 2021, <https://www.picknpayinvestor.co.za/downloads/annual-report/2021/pick-n-pay-iar-new.pdf> Reprinted with permission

The trading terms and preferential rebates for the SMEs within the ESD program are determined by which category a business is placed in. If an SME within the program expands and increases its turnover, the business can be moved and placed in a higher category. The various categories have different preferential trading terms, where the biggest and most essential difference is regarding how much time the retailer must pay the SME.

3. METHODS

This chapter explains and demonstrates the methods that have been used in this research. The study is conducted through a case study and is primarily established on qualitative data that's based on interviews. Further, the chapter will present the interview questions and the implementation of the used method.

3.1 Research Approach/Method Selection

A case study approach was selected in this research to analyze if the supplier's performance can be linked to the ESD program. According to Denscombe (2014) is the case study approach commonly used in social research with a focus on relationships and processes. Denscombe (2014) explains further that case studies don't only focus on what goes on, but the study wants to understand why certain events occur. Because the research is based on a case study it allows the researchers to use both qualitative and quantitative data and a combination of methods as a part of gathering information. Patton (2002) states that the purpose of a qualitative case study is to gather broad and in-depth information about each case in the research.

This study is primarily established on qualitative data but also secondary data that's collected through peer-reviewed articles. Patton (2002) states that qualitative data occur from three different ways of collecting data. Firstly, interviews which are letting the participants to express their feelings, knowledge, and opinions. Secondly, is qualitative data collected through observations, for instance, descriptions of people's activities, behaviours, and actions which can be summarized as observation of human behaviour. This sort of data is usually collected through fieldwork which means that the researcher spends time in the areas that are of importance to the study. Finally, there is data collected through written documents which can be quotations, studies of experts, official publications, and reports.

In this research is it important to observe both organizations like Pick n Pay and governmental institutions. However, to get a broader view one must also spend time observing people within the community and proceed with interviews with the SMEs. According to Denscombe (2014) there is a lot of advantages to quantitative data analysis which are of importance to this study. One advantage that Denscombe (2014) mentions is that there are a lot of rich details in qualitative data, which will give this study a better and deeper understanding of how the SMEs perceive the relationship and mentorship with Pick n Pay. It is important for the study s to get insight from both parts of the relationship.

Except for the qualitative data, which is the primary method for collecting data, the report is also based on secondary data through peer-reviewed articles. When collecting relevant secondary data, the keywords is; SME, SSCM, Supplier Development, ESD, and South Africa.

3.2 Collection of data

To get a better and deeper understanding of whether the SME's performance is linked to the ESD program the research is based on qualitative interviewing as a method to collect data. Hallin & Helin, (2018) states that interviews give a better insight into how people perceive different situations and gives a clearer image of what they think about the topic. Interviews also let the participants to elaborate and reason before they answer, which is important for this research. Interviews can according to Hallin & Helin, (2019) be divided into several different categories depending on how the extraction process is structured.

The qualitative data in this report is collected through a semi-structured interview. A semi-structured interview is a method where data is being collected through predetermined themes and questions, even though this method offers a focused and structured interview, it also invites discussion and doesn't necessarily have to be strictly followed. This can be seen as beneficial for the research due to new questions and discussions which may occur while the interview is proceeding (Hallin & Helin, 2018). According to Denscombe (2014) a semi-structured interview is more accessible to open-ended answers and has more empathy for the participants to elaborate on their points of interest. According to Kallio et al., (2016) semi-structured interview questions is based on previous knowledge and it is therefore important to have studied the topic beforehand.

All interviews with the SMEs in this research have been face-to-face at their location of the business, more information regarding this will be explained in *3.5 Implementation of Method* further down. By conducting the interviews at the location of the business, it is been possible for us to observe the surroundings and pay attention to how they run their business, which gave us with a broader view of their business.

3.3 Selection of interviewed participants

The interviewed participant in this report is both suppliers (SMEs) and the head of Enterprise and Supplier Development at Pick n Pay. The chosen participants were selected depending on the purpose of the study, and whether they could provide us with new knowledge and understanding of the topic (Hallin & Helin, 2018). The purpose of the study is to get an insight into the relationship between SMEs and Pick n Pay, which results in two given interview candidates. The selection of interviewed participants will also depend on the criteria and characteristics of the interview candidates. The main criteria for the SMEs to participate in the research are that the enterprise needs to be admitted and participate in Pick n Pay's ESD program. Furthermore, the SME needs to have an established and registered business, being a supplier to Pick n Pay and a business location in South Africa in the area around Cape Town or Johannesburg. These characteristics of the SMEs are crucial to being a selected participant in the research.

Criteria for respondent representing Pick n Pay was not as many as for the SMEs. The interview candidate from Pick n Pay works within and needed to have insight into the Enterprise and Supplier development management. The candidate needed to have experience working with suppliers and be familiar with the ESD program.

Besides selecting based on criteria, having access to selected respondents was important in qualitative research (Hallin & Helin, 2018). The participants were chosen after their possibility to have a personal meeting at their business location. A meeting with the participant at their location gave insight into their business procedures, production, or manufacturing facility. This resulted in a better understanding and an additional valuable observation. All the selected participants are located close to Cape Town or Johannesburg, within a drive distance.

Deciding how many interviews need to be performed in qualitative research is hard. Hallin och Helin (2018) states that there is no given number of respondents, interviews should be performed till saturation is reached. Saturation is a complex but important concept used in qualitative research. The concept is used to determine when there is enough adequate data to replicate the study. The selection of the number of participants in this study reached nine, eight SMEs and one with Pick n Pay. This was determined by the perception that further interviews

will not provide the study with any new knowledge or experience compared to previous interviews (Hennink & Kaiser, 2019).

3.4 Interview questions SMEs

Questions used in semi-structured interviews are usually prepared and organized in order, even if the goal was to make the respondent talk freely around the questions. The questions in the interview were divided into different themes with a set of predetermined open and ended questions, as well as other emerging questions during the interview (DiCicco-Bloom & Crabtree, 2006). The expected information from the interviews must relate to the intent and purpose of the study (Oishi, 2011). Therefore, questions regarding the SME's own business as well as their relationship with Pick n Pay were prepared. As the study introduces the theory of SSCM, questions that cover both the economic, social, and environmental concerns regarding sustainability were convenient.

The first theme of questions let the participant answer questions about their overall business, for example, the beginning of their business, number of employees, diversity of employees, unique selling point, product range, etc.

The second theme focused on the development and future of their business. Questions that were asked in this section are for example their capacity to meet a bigger demand, next step for the business, growth potential, competitors, etc. The first two sections' questions were very open-ended and asked where the participants used their own words to describe their business. These open questions are very informative as the participant highlights and focus on what they think it's important and not for them to share.

The third theme covered their relationship with Pick n Pay and their experience with Pick n Pay's ESD program. The questions can be described as more targeted questions but are still very open-ended asked. We wanted the participant to describe their view and perspective of the relationship. Example of these types of questions that were important for the report was how many years they had been in contact with Pick n Pay, how they got in contact and why, what kind of help they received from the company, and which one they value the most if Pick n Pay has a direct or indirect effect on their business. Furthermore, questions about their supply chain, deliveries, improvement areas within the relationship, and mentorship were asked.

3.5 Implementation of the method

The participants in the interviews could receive the interview questions beforehand upon request to prepare themselves. All the interviewees were held face-to-face in-depth at the supplier's business location, except for the online meeting with Pick n Pay's head of Enterprise and Supplier Development. Two researchers were present during all interviews with consent from the participants, a facilitator who asked the questions, and a recorder taking notes.

Before the interview, all the participants were offered the possibility of signing an Informed consent for participation in the bachelor's thesis. The informed consent made by the Chalmers University of Technology contained a description of the study and its purpose, information about ethical rules that apply in the project, and an agreement box where the participant let the researchers record the interview. By signing the informed consent, the participant participates in the study under informed conditions and was assured that all data will be treated with confidentiality (Oishi, 2011). The interviews were tape-recorded with consent to make sure everything was captured and for analysis purposes and transcription after the interviews.

The face-to-face interaction and the structure of the interview were important to let the participant feel comfortable and appreciated. The beginning of the interview is the point where trust will be created (Hallin & Helin, 2018). It's necessary to be a good listener and pay full attention to the respondent. According to Oishi (2011), the interaction in in-depth interviews is a part of the data collection process and encourages the respondent to speak freely about the topic of the interview. In this matter, the neutrality and non-imposer of the interviewer's own beliefs and interpretations played an important part. The interview with Pick n Pay was held online over zoom with video communication. The benefit of videocall is the possibility to interact and observe reactions. The challenge is to ensure complete focus from respondents and interviewers (Hallin & Helin, 2018).

At the end of the interview, the interviewer allowed the respondent to add further comments. After the performed interview, the respondents were asked if the interviewer could contact them again if any further questions (Oishi, 2011).

Table 3

Information on interviews with SMEs

Company	Job title	Interview type	Interview language	Interview duration
Supplier A	Owner & co-founder	Face-to-face	English	58 min
Supplier B	Owner & founder	Face-to-face	English	30 min
Supplier C	Owner & founder	Face-to-face	English	51 min
Supplier D	Owner & founder	Face-to-face	English	51 min
Supplier E	Owner & founder	Face-to-face	English	30 min
Supplier F	Owner & founder	Face-to-face	English	55 min
Supplier G	Owner & founder	Face-to-face	English	60 min
Supplier H	Owner & co-founder	Face-to-face	English	1 h 20 min

Comment: Table 3 provides information regarding the interviews with the SMEs.

Table 4

Information on interviews with Pick n Pay

Company	Job title	Interview type	Interview language	Interview duration
Pick n Pay	Head of Enterprise and Supplier Development	Online meeting	English	37 min

Comment: Table 4 provides information regarding the interview with the Head of Enterprise and Supplier development at Pick n Pay.

4. RESULTS

This chapter presents the result of the conducted semi-structured interviews and observations with the SMEs and the Head of Enterprise and Supplier Development. The result presents a brief overview of the supplier's business and characteristics, challenges for SMEs and investments and support from the ESD program. Lastly, Pick n Pay's perspective on the program will be presented. The result will include both sides of the relationship as well as how the program potentially can assist the SMEs in the future.

4.1 Characteristics of interviewed SMEs

Even though all the SMEs are individual with factors that characterize only their business, there are some similarities between interviewed SMEs. The following table provides an overview of chosen SMEs and the industry they are operating in their established year, and when they got admitted to the ESD program. Furthermore, the table provides the number of employees at the time of the interview and the diversity of the employed will be commented on below.

Table 5

Overview of SME's overall business

Supplier	Business sector	Owner's background	Established year	ESD program	Number of employees
A	Manufacturing consumer goods	N/A	2014	2016	11
B	Textiles/designer	Designer	1998	2021	1
C	Textiles/clothing manufacturing	Employee at a big clothing retailer	2007	2016	40
D	Agricultural activities	N/A	2016	2017	16
E	Manufacturing consumer goods	Student and worked as a cleaner	1999	2015	15
F	Agricultural activities	Corporate with interest of farming	2016-2017	2020	24 (+extra harvesters)
G	Retailer, distributor and manufacturing	Economic and marketing student	2011	2019	36
H	Agricultural activities	Corporate with interest in food safety	2015	2018	32

Comment: Information in Table 5 is received from the interviews with each participant. The number of employees presented is the number at the time of the interview, February/March 2022.

All the interviewed SMEs are working with social sustainability in different ways. Gender equality is something that all SMEs prioritize when they are employing for the business, which can be illustrated briefly by the diversity of their employees. Supplier A had at the time of the interview 11 employees where over 95% of the temporary staff is females. The owner (Supplier A) expresses how their policy is towards women, and rather focuses on employing females than skills, as it's not a highly skilled business. For example, the supplier described how they prioritized females that need an income, like single mums.

Supplier C is also a business with most female employees, 90% women compared to 10% men. Most of the employees are in youth or mid-age. The SME focuses on education and training to develop skills for especially females, to make it possible to develop and go from cleaning tasks to operating the machine. Both Supplier A and Supplier C is manufacturing suppliers that are female black-owned to 60% and 100%. Supplier E is another manufacturing company that is 100% black-owned, but not female-owned. The business was established in the year 1999 with 3 employees, and now they're 15 employees with a diversity of 70-80% females and 30-20% men. The manufacturing SMEs (namely suppliers A, C, and E) compared to the SMEs within agriculture has similar working tasks between the genders.

Supplier D, Supplier F, and Supplier H are working within the agriculture sector and all SMEs are a majority female black-owned. The SMEs within agriculture also have a higher percentage of female employees. Supplier H has 32 employees and most of the staff are females, the owner says, "we want to empower the women in the community and allow them to stand on their legs". Supplier D has 6 men and 10 females compared to supplier F with 24 full-time workers and up to 40 employees during harvest. On the other hand, the work tasks between the genders differ in all mentioned cases. The mentioned SMEs put the employed men on heavier and more technical farming work such as handling irrigation systems, equipment, and packaging. Compare to females that most likely harvest the products, because they do a better work according to Supplier F. The SME explains that the different task on the farm is a direct result of the employee's skills. With the desire to skill females, supplier F let the females work in the packhouse.

The nationalities of the employees working on the farms differ between the suppliers. Supplier D mentions how common it's that foreigners to cross the borders to work in agriculture in South Africa, as a lot of South Africans are not willing to do the "dirty" work. While Supplier F mentions that most of their employees are South Africans. Lastly, supplier H tries to employ people from townships close by the farm. The supplier supports the staff with shuttles to make it easier for the employees to get to their workplace.

Suppliers B and G differ from the other suppliers because of their business sector and the size of the company. Supplier B is the only interviewed supplier with a business that is not black-owned. The business has recently contacted Pick n Pay to become a Pick n Pay supplier after working several years with events and cross merchandising. Supplier G has both distributor and manufacturing rights in South Africa. The company has a strategy to bring internationally well-known brands to South Africa and 75% of the products are locally made in South Africa. Supplier G also mention how they focus on Corporate Social Initiatives by helping the primary schools in the townships by providing cleaning products to schools. The business has 36 employees and are most females (60%).

Many of the owners have previously worked within corporate or studied but started their business because of an interest or experience within another industry.

4.2 Challenges for an SME

Many challenges are common for all SMEs while others are more individual. The challenges that the interviewed participants shared can depend on many different factors, for example, business sector, location, supply network.

Supplier D together with Supplier F and Supplier H faces similar challenges within agriculture and farming. The owners of the farms mention the challenges of meeting the requirements of buyers as well as the strict regulations in the food industry. The requirements from the buyers and retailers are many, the farming products need to be perfect without any defects. This means that farmers are very dependent on the quality of their products and the events that cannot be predicted or controlled, like environmental or weather factors.

All the interviewed farming SMEs (Suppliers D, F, and H) mentioned the importance of having a good strike rate. The strike rate can be seen as a big challenge but also a competitive advantage. Supplier F mentions it's highly important to have a good strike rate of fulfilled and completed orders. Supplier H commented on the competition in the agriculture market, where there's no single farm that can meet the capacity of a single retailer. The demand will differ dependent on the competitor's ability to complete orders. In other words, it's important to complete orders and always have a backup if one crop would be defective. Supplier F insists that there's a lot of work with handling rejected products that are sent back because of bad quality. A consequence of rejected products is the labour force that needs to handle these products instead of harvesting them.

Most of the SMEs mentioned the challenge of reaching stable growth for the business, and the last years with a pandemic have been extra challenging. Supplier A and Supplier E find it hard to reach stable growth, as most small businesses are challenged with highs and lows with a risk of being delisted from stores. Even if the SMEs can list their product in the Pick n Pay portal, the risk of being delisted is always present. In the end, it's always the buyer that decides the product range in their respective store according to supplier A and E. Supplier E expresses that they will never see stable growth in their business and challenges with products being delisted.

Supplier H mentions how they have been dependent on supplier loans, and private- and governmental funding for equipment and assets. A consequence of high and low average growth is lower variation in productivity. This results in the ineffectively use of the SME's assets and uncertainty of need of employees according to supplier H. SMEs within agriculture, namely suppliers D, F, and H have few employees on full-time and many partial workers during peaks and harvest. Suppliers A and C mention how the number of employees within their business has changed over the last couple of years.

Table 6*Overview of interviewed SMEs supply chain*

Supplier	Supply to Pick n Pay	Supply to other buyers	Pick n Pay's supply chain
A	320 stores with a mix of products	Retailers, co-branding, pharmacies	Spot at DC but majority direct deliveries
B	Occasion supplier	Personal events	Own distribution
C	Workwear for Pick n Pay and Boxer	Consumer market, corporate and school uniforms	Deliver directly to store
D	Uncertain, supply after capacity and quality on products.	Retailers and defected products are used for animal food	Spot at DC
E	Number of stores changes every week	Retailers (Click) and own network	Spot at DC
F	Volumes differ depending on weather and supply from other suppliers	Retailers and the market	Spot at DC
G	248 stores with mix of products	Retailers, cleaning companies	Own distribution
H	Uncertain, supply after capacity and quality on products. Contract with quantity.	Hospitals, the market, and other retailers	Spot on DC

Comment: Information shared in Table 6 is gathered from the interviews with each SME. It's important to consider that Supply to Pick n Pay, Supply to other buyers and number of products at DC can change very rapidly and might differ from time of the interviews (February/March 2022).

Supply chain activities such as transportation, distribution, and merchandising have been a repetitive answer from all SMEs as their biggest challenge. Especially suppliers A, B, and E mention how they cannot afford direct deliveries to Pick n Pay stores as the transportation cost are too big for such small volumes. Supplier A and Supplier E challenge to complete orders from Pick n Pay which is a problem because they cannot fulfill their service level agreement with the stores they're listed in and get the revenue they need. The costs are too many to make it reasonable of sending one consignment. Furthermore, Supplier A together with supplier B struggles with inventory levels as they don't have information regarding their stock levels in the stores and don't even know if their products are on the shelves in the stores. In other words, it's almost impossible to handle inventory management. The reason for this is that the SMEs don't know what happens with their products and packages. Supplier A is concerned about their packages getting lost during transportation or because of the bad structure of the receiving areas where their products can be misplaced or stolen. Supplier A ads, the merchandiser is highly important for an SME but on the other hand, they pay the least amount of money even if they

need it the most. That's why bigger international companies are being prioritized firsthand before SME products, according to supplier A.

SMEs that don't have a spot on any of Pick n Pays distribution centers are less likely to reduce costs within the supply chain, mainly transportation and inventory costs. Supplier E describes the major challenges of being a direct supplier where they had to personally deliver the products to each store compared to one delivery to a DC. In other words, the suppliers that have direct deliveries to DC can focus on developing the business instead of travelling around between multiple stores. Suppliers A, B, and G together with many other SMEs are still challenged with the consequences of not having all their products in the DC. In other words, have their distribution with high transport costs for such small volumes.

Covid 19 hit hard on most of the SMEs and most of the suppliers realized they need to diversify and seek new markets. Supplier C mentions how they always need to try new possibilities and new products they can start to produce after demands from customers. It's tough to be dependent and rely on a single product. The SMEs working within agriculture also express the importance of diversifying and not putting all eggs in one basket. Supplier D mentions the importance to have other clients that can buy product that doesn't meet the requirements of certain buyers.

Supplier H reached out to Pick n Pay in 2017 and wanted to be a Pick n Pay supplier to increase capacity and reach a bigger market. They wanted to start supplying Pick n Pay because it's a large international company and a reliable buyer, where there are multiple opportunities to grow. Supplier H had a supply network where they supplied mostly hospitalities, retailers, and the market before becoming a Pick n Pay supplier. The farm supply Pick n Pay with a big quantity of spinach and has a spot in the distribution center (DC) in Johannesburg. This spot reduces both distribution and transportation costs for the SME.

4.3 Investments and support from the ESD program

As mentioned above the Enterprise and Supplier Development program supports SMEs with mentorship, guidance, and development regarding the business, accordingly, all suppliers in this research received help and assistance in various ways.

Supplier A states that they have received lots of support from the ESD program. Mainly regarding mentorships in terms of encouragement and assistance during unpredicted events, for instance when they had all their products de-listed. Supplier A also explains that the outcome of having their products in Pick n Pays stores has resulted in them being able to reach out to more customers and export their products internationally, they also mentioned that this has led to co-branding. Supplier B explains that their business has had similar benefits as Supplier A, especially when it comes to reaching out to more customers by having a spot in Pick n Pay stores.

Most of the suppliers explain that the help they've received from the program can be seen as a toolkit or book that had all the answers an SME needs to know. Supplier C states that most of the support they have received from Pick n Pay is constructive criticism on how to run a business. The supplier explains how Pick n Pay guided them on how to spread the risk by not only supplying one store or one product, in other words, Pick n Pay helped Supplier C to become better entrepreneurs. According to Supplier G, Pick n Pay supported them in similar ways as mentioned above. They point out the importance of support as an SME and that Pick n

Pay offered help in all areas regarding running a business, for instance, insight on how to understand the market and contact the buyers. Furthermore, supplier G mentions being a Pick n Pay supplier has a direct result on their revenue. A better result led to investment in new assets and equipment. All the above-mentioned suppliers are operating in business sectors that are much alike, which is important to keep in mind when analyzing the results.

Furthermore, the suppliers (D, F & H) that operate within the agriculture sector, the first thing that stands out is that all supplier within this sector mentions financial support as the most distinctive assistance. Supplier D explains that being assisted with financial support helped them to be able to build a new farm and establish the right to erect infrastructure for Pick n Pay also helped with getting the right certificates that were needed when supplying food. Supplier F explains that the program helped the business in many ways. The main support was funding through the Jobs Fund, this financial support helped Supplier F to expand its farm and increase capacity. The funding also helped the supplier to build a new packhouse, with machines, and a new irrigation system, which has had a major impact on the supplier's business. The supplier also mentioned that the workshops that the program offers have helped in running a business as well as how to manage the packaging of the products.

Through being a part of the ESD program, Supplier H has received help and assistance in different ways. Pick n Pay has helped the farm by assisting with a food safety management system, flow planning within the packhouse, getting the right packhouse that follows the requirements, funding equipment like tractors and other farming machines, and shade nets and irrigation. The most important help that Supplier H mentioned was the financing of parts of the packhouse, it's an important requirement they need to have as a farmer Pick n Pay supplier. Furthermore, Pick n Pay helped Supplier H to be nominated to the Jobs fund and receive funding from their budget. Both the owners have worked in corporate and brand management before and had some knowledge of how to run a business, but none of them has experience in agriculture. Pick n Pay has been assisting with the planning and requirements of the farm and its packhouse.

Some of the suppliers mention re-branding their product to Pick n Pay as a major benefit. In these cases, it has given the business a chance to increase its capacity and revenue. Supplier G mentions the strive of having their products Pick n Pay labelled, because of the potential growth in revenues and capacity.

4.4 The ESD program from Pick n Pay's perspective

As mentioned above, is it important to review both sides of the perspective when evaluating a relationship. According to the Head of Enterprise and Supplier Development at Pick n Pay, the reason for starting the ESD program was that Pick n Pay had to do its part of being a large retailer in South Africa. The program ensured that Pick n Pay had a small supplier in every category and that it filled the customer needs. She also explains that the long-term goal of the program is to improve the productivity of the SMEs and ensure that they have access to the market, not only regionally but also nationally. The Head of ESD describes that even though a lot of SMEs approach Pick n Pay and their ESD program, the company is still looking actively for small businesses that can provide products that will contribute to Pick n Pays product development. As mentioned above, is it important for Pick n Pay to focus on gaps in the product range that can be replaced with SME products.

Regarding the SME's performance and development, she explains that they implement an evaluation on the SMEs monthly. Where they look at the performance based on several KPIs

and try to visit the SMEs business location periodically. The performance of a SME is evaluated based on the results from the previous month and is measured through strike rate, the number of purchases, availability, margin, and sales. Thereafter the KPIs are used so that the mentors know what to focus on to develop further. She also states that there is a pattern amongst SMEs within the program regarding how much they develop, depending on how engaged they are regarding advancement. It is important to keep in mind that performance and development for an SME aren't what Pick n Pay gets from it, but what the SMEs gain from participating in the program. She further explains that the SMEs that are more engaged and focused will generally do a better job of running a business and surviving in the industry. An SME owner can be engaged in different ways, but one central factor is attending the workshops that the ESD program offers. The Head of Enterprise and Supplier Development describe the relationship as a marathon and not a sprint. In other words, it takes time to see stable growth and the SME needs to the work.

The Head of Enterprise and Supplier Development further explains that the biggest challenge for SMEs within the program is to get access to funding. It is therefore important with governmental support and partnership that can lead to better access to finance and trading terms for the SMEs. Governmental institutions need to finance the right project which Pick n Pay can assist with, because of their close relationship with the entrepreneurs and local suppliers within the society. In other words, Pick n Pay cooperate with governmental institutions to give SMEs access to financial support.

The challenge regarding delivery can be linked to the fact that many SMEs are forced to deliver their product direct to the stores, because their delivery costs is not included in their costing model. In other word, the smaller SMEs cannot afford delivery to the stores. She also mentions that the smaller SMEs need support from the program, especially if they are in the beginning of the business journey, compared to the bigger at mainly seeking help to expand their business.

One very important aspect that can be crucial regarding how well the SMEs product will make it on the market, is if it gets listed in the stores or not. The buyer is the one that decides if or in how many products will be listed in the store. Pick n Pay stores can be either franchise or corporate. The Corporate division drives the SME program when it comes to listing, compared to the franchise stores that have a more entrepreneurial focus and can determine without any restrictions if they want to list the SMEs or not. The Head of Enterprise and Supplier Development explains that they can designate spaces for the SMEs in the corporate stores and that she believes this process could be just as quick and stable for the franchise stores in the future. Regarding incentivizing and getting more SMEs listed within the different stores, she explains that the buyers receive KPIs that they are compelled to follow concerning how they are incentivized on how to support the SMEs. Furthermore, the thing that the ESD program can do to contribute, is to affect the buyer to have a different view regarding the SME and accordingly make the buyer select the SME and their products. Moreover, she stated that the buyers are the ones that will build or break SMEs.

As of today, Pick n Pay is solely focusing on social responsibility and not the economic and environmental impact among the SMEs. However, they would like to start working with all these three measures in the future and plan for educating the SMEs in environmental development as well. Having a dedicated ESD program is the most important aspect when it comes to handling all the SMEs according to the Head of ESD. She further explains that the program needs a bigger budget dedicated to supply chain solutions like expand space for SME products in Pick n Pay DC and funding. she also states that there is no need for increasing the

team within the ESD program, but rather to develop the relevance and visibility within the commercial teams at Pick n Pay.

4.5 Next Step for the SMEs to develop further

All the suppliers mentioned require different types of assistance from the ESD program that could help them to develop further. As previously specified, is it a risk of goods being lost in the receiving area at the stores. Supplier A explains that SMEs have and will always struggle with space in stores if nothing changes. Therefore, the supplier proposes that it would be beneficial to have a fast line for SMEs, the supplier compares a fast line with a person that will work with receiving the SME's orders in-store and ensure that the products will make it to the shelf.

Most of the suppliers mentioned that a spot in the distribution centre (DC) would help them in being able to send all their orders and reduce the delivery costs. Some of the suppliers have a spot at DC, but it doesn't include all distribution centers and all their products. Supplier F explains that a spot at all Pick n Pays DCs within South Africa would help them develop further. The supplier state that they can supply its products nationally in South Africa, but as of today, the distribution is holding them back.

Supplier B explains that except for a spot at the DC, the company needs a merchandiser that can help in the sores with the promotion of their products. Promotion in case of cross-merchandising and seasonal promotion. Furthermore, the supplier needs support in building an online platform. Supplier D points out the importance of having technical support regarding how to supply the produce into the DC, with minimal rejections. The supplier explains that the more information regarding how the suppliers are meant to send their produce into the DC, the better they can become in producing the right crop within the correct specifications.

According to Supplier E, they are having a problem connected to the narrow product range in the stores. The supplier explains that by having a bigger range of products in Pick n Pay stores, the quantity or orders will increase. Supplier G likewise points out the importance of having their products listed in stores and marketing them efficiently in stores. Supplier G further explains that this will bring about more customers seeing the products, which results in growth for the business.

As mentioned above, it's important for SMEs to spread their risks. Supplier H explains that they need help in developing more diversity of crops on the farm it will help them to not put all eggs in the same basket. This is an important perspective of farming, not just being dependent on one crop. The limit Pick n Pay has on their spinach from the farm can be higher, this will increase their capacity according to supplier H. The supplier also strives to start exporting their products internationally. According to the supplier, funding and investments from governmental institutions are still important as well and that the company needs funding for assets in terms of equipment.

5. DISCUSSION

The result of the interviewed SMEs showed both similarities and differences between their businesses, challenges, and assistance from the ESD program. The similarities and differences between the SMEs can be a result of many different factors for example the business sector, size of the company, supply network, etc. The farming SMEs had similar challenges regarding productivity and quality while SMEs within consumer goods struggled with inventory levels and deliveries to Pick n Pay stores. Some SMEs mentioned the need for financial funding while other SMEs were in a greater need of assistance regarding food regulations and financial statements.

Even though SMEs have different challenges, it is a widely held view that SMEs in general have a big contribution to economic growth, especially in South Africa (Okoumba et al., 2020). Except for the economic contribution, SMEs also have an important social responsibility within their communities (Abor, J & Quartey, P., 2010). SMEs struggle to survive regardless of their important role in economic and social sustainability in developing countries. It's hard to conclude the best strategy to help small businesses and in which way. Is supplier development through the ESD program one way to help SMEs and what potential impacts can be related to the program?

As mentioned previously, is it difficult to determine what specific impacts the Enterprise and Supplier Development program has on the SME managers and the business growth. In other words, what achievements and performances of the SMEs can be related to the program, and which cannot. Due to the diversity among the SMEs, there is no template regarding how to handle the various situations. All SMEs require specific guidance, mentorship, and development regarding their business even if some of the SMEs need similar support due to similar challenges. It is also important to keep in mind that all SMEs operate under different conditions. Even though the ESD program has minimum requirements concerning what's needed from the SMEs before they can enter the program (see Figure 1), there is significant diversity amongst the SMEs. Several of them have years of experience and some of them just established their business. Despite when the SME established their business or how many years they have been in the program, there's ongoing mentorship and training attendants.

Table 5, *Overview of SMEs overall business*, shows the interpreted years when the businesses were established and when the SMEs were admitted into the ESD program. The table clearly shows that there is a difference among the SMEs in the period between these years. It's important to have this time interval in mind when analyzing the impact of the ESD program. This is evident in the case of the dependence on Pick n Pay as a buyer or not. For example, SMEs that have been operating for a few years before being in contact with Pick n Pay probably have established business with other buyers. Some of the SMEs mention supply to other retailers, hospitals, the market, etc. Overall, these cases support the view that some SMEs can stand on their legs without the ESD program. On the other hand, independence doesn't mean that the impact of mentorship and other assistance tools within the ESD program is highly important for the SME. All the SMEs mentioned how they value their relationship and supply to a reliable retailer as Pick n Pay. Head of Enterprise and Supplier Development shared how the company never require SMEs in the program to exclusive supply Pick n Pay, they can also supply other buyers and retailers. In a few cases, the supply to other retailers has been greater than the supply to Pick n Pay. This will potentially help the SME to grow instead of restraining their business.

One aspect to consider regarding the program's impact on SME managers is their experience in running a business and the business sector they operate in. *Table 5* indicates statistics regarding the current business, not how many years the managers have been in the business

sector they operate in. Hence, if some of the managers have had other business before that might failed or worked within a completely different market. Some of the suppliers have started their first business within a completely new business sector because of interest. For example, supplier F and supplier H have worked with corporate before but started their SMEs within agriculture due to interest and experience. Supplier F has a background in farming while supplier H expressed interest in food safety and wanted to build a legacy. In other words, its interpreted that the ESD divisions are required to work with flexibility and assist differently from case to case. The results from this study reinforce the fact that a great deal of diversity regarding individually adapted support within the ESD program is required. Depending on the manager's experience of running a business or being a manager in a completely new market they might be at different stages regarding the need for support. Supplier F with experience in agriculture was in more need of equipment while supplier F has received a lot of support with certificates and food safety management.

As the Head of Enterprise and Supplier Development mentioned above, smaller SMEs mainly apply to the ESD program for mentorship, guidance, and support in running a business. Compared to the bigger suppliers that generally inquire about the program with the desire to expand their business and capacity. It can be argued that there is a strong relationship between applying for the ESD program and a desire to develop and increase the company's capacity. Initial observations suggest that most of the managers that have run their business for several years and who already supply to other retailers don't necessarily need assistance in running a business. They rather need support and mentorship related to regulations, requirements and certificates connected with supplying Pick n Pay. For instance, assistance regarding building a new packhouse or requirement's concerning food handling. Since Pick n Pay is a large and credible company, SMEs must have a good relationship with the company, regardless of the size of the SME. In other words, many suppliers in Southern Africa strive to work with big and reliable retailers such as Pick n Pay because of the possibility of increased capacity.

Most of the SMEs within the ESD program are placed in category 1, which means that they are considered small businesses. As mentioned above there are different preferential trading terms based on which category an SME is placed within. In this case, where most of the SMEs are still on the first step of development, they receive beneficial rebates and trading terms. SMEs that reached higher business development stages and a bigger turnover operate under different trading terms. Having these different strategies regarding rebates and trading terms can be very beneficial for small businesses. Lower interest rates and access to finance is possible through Pick n Pay's relationship and contact with banks and governmental institutes. Governmental institutes are looking for small businesses to support and Pick n Pay can help match their funding's. This kind of collaboration is valuable for all parties. In this way, Pick n Pay can possibly help their suppliers (SMEs) within the ESD program to survive.

Even though most of the SMEs express the capability of meeting a greater demand and want to expand their capacity for the future, as mentioned above the buyers and market still have the final word. Both the SMEs and the head of the ESD program mention the buyer's power and how they play a huge role if the SMEs access the market or not. Pick n Pay and the ESD program allow an SME to be a Pick n Pay supplier and have their products in stores. On the other hand, the program cannot necessarily increase the demand for SME products. Many suppliers wish to have more space and shelves in the stores to increase capacity and grow, but it still needs to be a demand from buyers and their customers. Buyers together with their customers need to request the products, which is challenging as the SMEs are competing with other brands.

The challenges for an SME are many, and the company's size can be a big reason. SMEs in general don't have large market shares, bargaining power, or investments that will strengthen

their position in the network and stores. Even though SMEs contribute to the country's economic and social development, especially by creating jobs and empowering females they challenge to compete in the market with bigger suppliers and their brands. As mentioned in the result, some SMEs struggle with inventory management and merchandising because their products are not prioritized in stores. They most likely must pay merchandising companies to make sure the products reach the shelves. Some of the SMEs that are applied to the ESD program have got the opportunity to rebrand their products to Pick n Pay's label. This has led to an increase in demand and productivity. Even if the SMEs might be emotionally attached to their own business, rebranding can benefit their business and make them more competitive with other brands. On the other hand, the supplier needs to have the capacity before this is possible. This case reveals the need for further investigation regarding the relabeling to Pick n Pay products and an increase in demand.

Funding is a fundamental aspect that must be considered when observing the ESD program's impact on SMEs. Even though the ESD program doesn't essentially fund the SMEs themselves, the program provides support and assistance concerning everything that's required for the SMEs to apply for governmental funding. In this way, the program impacts the opportunities for the suppliers to receive funding and investments in different ways. It's hard for an SME on their own to reach out to governmental institutes compare to a big and well-known company such as Pick n Pay which already cooperates with different governmental institutes. In this case, the program plays an important part in access to finance.

As already stated, the Broad-Based Black Economic Empowerment Act (B-BBEE) is one of the most extensive acts in South Africa, established with the purpose to empower the economic participation of black people in South Africa along with driving the integrity of the economy within the country (Dreyer et al., 2021). One of the elements within B-BBEE is enterprise and supplier development which can be closely linked to the Enterprise and Supplier Development program within Pick n Pay. Seven out of the eight SMEs that were interviewed in the research were 100% black-owned. The evidence presented thus far supports the idea of the important impact of the ESD program on the empowerment of black people as well as females. Even though the SMEs make decisions on employment within their business, the result shows a clear tendency of high employment rates for females.

5.1 Method Discussion

Denscombe (2014) explains that it is hard to evaluate the validity and reliability of quantitative research because it is hard to replicate the social settings during the interviews and gather the same participants within the same social environment. Another aspect that could affect the results, is that the researchers are often intensely involved during the collection of quantitative data, which tends to make it harder to draw the same conclusions if the study was to be performed by other researchers in the future.

The qualitative research approach provided the study with the possibility to interview all the participants face-to-face and to hear their responses and thoughts at that exact moment. Shortly after the interviews were conducted, they were transcribed and analyzed to provide the research with as much correct information as possible. After eight interviews had been performed, it was concluded that the study had a saturated response. The saturated response could indicate that there is high reliability connected to the study since several participants have given similar answers, completely unaware of each other.

The Head of the Enterprise and Supplier development or other mentors within the ESD program was present during most of the interviews. It is possible that this could affect the SME's answers, for instance, there is a risk that the participants did not tell the complete truth or withheld information. The result is aimed to include both perspectives on the relationship and having their mentor present might affect the SME manager's answers to asked questions because of loyalty towards the company. This could be a possible drawback for the research. On the other hand, having the Head of Supplier and Development present during the interviews could also result in the participants feeling more comfortable. This could have a positive outcome connected to them being more willing to share information.

To ensure reliability during the interviews, all the questions were formulated with the intention of being as natural and objective as possible. Hence, not affect the participant's answers in either direction.

One important aspect to consider is if the study would be more credible if both qualitative and quantitative data were to be used. In the research is it possible to believe that financial statements from all SMEs and data linked to Pick n Pays ESD program, for instance, the total number of sales, number of stores, and data regarding their financial funding connected to the ESD program would be beneficial. According to Denscombe (2014) is quantitative data not only associated with surveys and experiments but can also bring an improved insight to research methods such as observations. This method could be of importance for the research because it proceeds beyond the qualitative data of how the respondents perceive and express the relationship with Pick n Pay, the quantitative data is supporting the qualitative data with actual numbers.

6. CONCLUSION

The study aimed to investigate what impacts the ESD program has on SME managers and their businesses. In other words, the program's effect on SMEs in a developing country like South Africa and the environment they operate in.

It is still hard to conclude what exact direct and indirect results can be explained by the investments from the ESD program. The program can give the right conditions for SMEs to succeed and survive but there are still other factors that affect the performance of the business. The ESD program will assist in supporting, scaling and sustaining SMEs businesses, but the SMEs still need to play their part. Both SMEs and the Head of Supplier and Development are aware of the buyer's power and the demand from the end customers is crucial for the business growth and access to the market. This case study shows the importance of the program in the way it individually adjusts to every specific case. All interviewed participants need diversified support and assistance depending on their challenges and circumstances. The result shows that all SMEs in the study appreciate and value the relationship with Pick n Pay and think that the program can help them develop further. Access to market, access to finance, the opportunity of relabeling and beneficial trading terms are examples of the beneficial impact of participating in the program.

It's hard to determine the impact of the ESD program on SME managers. Many SME managers might know how to run a business because of the supply to other buyers and markets. On the other hand, all SMEs expressed the importance of guidance and support from the ESD program in vital situations. It's important to highlight that the program will not do the work for the business and the managers, but it can assist the managers in different ways. The SME is required to have a prepared business before they can be retail ready. Pick n Pay is assisting the managers by mentorship in skills and management, contact with other departments within Pick n Pay, workshops etc. but the supplier needs to drive the relationship.

The study can conclude the ESD program has many potential impacts on the SMEs business. It's hard to determine what positive impacts can be explained by being an SME within the ESD program compared to being an SME that supplies Pick n Pay but is not a part of the program. Overall, is it possible to conclude, that the program is of significance for both Pick n Pay and the SMEs. The SMEs get the support they need to grow and hopefully survive in the long run while Pick n Pay fulfills the purpose of support, scale, and sustain.

6.1 Recommendations for further research

Although the study clearly shows the importance of the ESD program and demonstrates the great impacts it has on the SMEs within South Africa. Additional information is needed to get a more distinct and credible study. For instance, completing further interviews and including more SMEs within different business sectors would provide the study with more extensive information.

Currently is the study mostly based on personal opinions from the SME's perspectives. To get a more reliable result is it possible to believe that quantitatively data through financial statements from all SMEs and data linked to Pick n Pay's ESD program, for instance, the total number of sales and data regarding their financial funding connected to the ESD program would be beneficial.

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