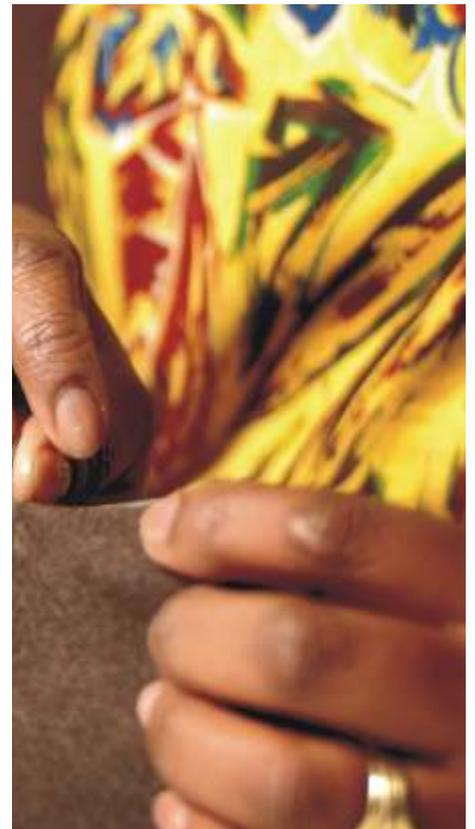


The Small Business Monitor



www.seda.org.za

Volume 5 - Number 1 - 2009

ACKNOWLEDGEMENTS

Editor: Tlalane Teffo - seda

Project Coordinator: Ronnie Mmotlane - seda

Administration Assistant: Jacky Smit - seda

Small Business Monitor Review Committee: Ranjit Alummoottil
John Francis
David Mmakola

Contributors: Magali von Blottnitz
Enver Buys
Blessing Karumbidza
Robert Power
Ashling McCarthy
Khulile Mavundla
Anneline Chetty
Phindile Tshabangu
Dr. Sandra Musengi-Ajulu
Wellington Didibhuku Thwala
Makgati Jacob Phaladi
Magda Hewitt
Sera Julius Tlhomola

Produced by: The Research and Knowledge Management Division, seda

seda

Tel: + 27 12 441 1000

Fax: +27 12 441 2230

Call Centre: 0860 103 703

Website: www.seda.org.za

Design and Layout: CultureCom Africa Media

Photography: seda - Marketing Division
Contributors
CultureCom Africa Media

Printed by: Business Print

ISBN No: 978-0-620-43549-9

The views expressed in the articles contained in this publication are not necessarily those of Seda.

CONTENTS



FOREWORD FROM THE CEO.	2
FROM THE EDITOR'S DESK.	3
OVERVIEW:	
1. An Economic Overview Of Smmes In 2008. - By Magali von Blottnitz.	4
FEATURES:	
1. Africa's People Must Embrace Entrepreneurship As The Promise And Hope For A Better Life. - By Enver Buys.	12
2. Scattering On Rocky And Thorny Ground: The Institutional, Socio-Cultural And Economic Factors Hindering Rural Empowerment Through Smme's. - By Blessing Karumbidza.	19
3. Going Into Business Is Not A Bed Of Roses. - By Robert Power.	27
RESEARCH:	
1. Craft as an Economic Enterprise: Strategies for Alternative Livelihoods in KwaZulu Natal. - By Ashling McCarthy & Khulile Mavundla.	34
2. Supporting And Developing Smmes- A Public Or Private Affair? - By Anneline Chetty.	41
3. Business Incubation - The Master Thread: The Benefits Of Business Incubation In Strengthening South Africa's Business Development Services Sector - By Phindile Tshabangu.	51
4. Small Enterprise Support Institutions: Enhancing Intervention Effectiveness Through The Research Of Black Family Owned Businesses. - By Dr. Sandra Musengi-Ajulu.	60
5. Current Challenges Facing Small And Medium Size Contractors In South Africa: A North-West Province Case. - By Wellington Didibhuku Thwala and Makgati Jacob Phaladi.	70
6. Confirming Influencing Factors On SME Activity. - By Magda Hewitt.	78
7. Small Enterprise Development And The Empowerment Of Rural Women. - By Sera Julius Tlhomola.	89
SEDA NATIONAL BRANCHES.	98

FOREWORD FROM THE CEO



We are pleased to bring you the 2009 edition of the Small Business Monitor, Seda's annual journal featuring the views and research of a wide spectrum of stakeholders in the small and medium enterprise (SMME) sector.

In the current global economic climate, the need for effective assessment and support in the SMME sector is stronger than ever. It is widely expected that the effect of the global economic downturn on this sector will be severe. In a developing economy such as ours, the impact should not be underestimated.

While challenging, the current climate also presents many opportunities for the small enterprise. Seda continues to focus on providing critical areas of support for the SMME sector, localising small business support through a grid of seda-coordinated information and advice access points. Seda initiatives enable access to finance, support the creation of an enabling regulatory environment for small enterprise and focus on expanding market opportunities for specific categories of small enterprise. Seda continues to initiate national entrepreneurship drives, increase education and training opportunities for small business and co-fund minimum business infrastructure facilities in local authority areas across the country.

We believe that sharing information and encouraging discussion regarding the state of our small enterprise sector and the challenges our entrepreneurs face is a vital part of driving growth and development in the sector. Through research, discussion and opinion, the 2009 Small Business Monitor provides this platform.

The broad themes for 2009 include challenges for small enterprises in a changing global economy; identifying and addressing challenges faced by small enterprise support institutions; investigating the role of small enterprises in rural development in South Africa; and examining the potential of South Africa's cultural industries as a powerhouse for poverty alleviation.

We sincerely thank all our contributors and trust that this edition of the Small Business Monitor will stimulate the constructive debate and insight necessary to support the growth of small enterprise in South Africa.

A handwritten signature in black ink, which appears to read 'H. Lupuwana'. The signature is fluid and cursive.

Acting CEO - Hlonela Lupuwana.

FROM THE EDITOR'S DESK



Welcome, once again, to our annual publication on issues affecting small business in South Africa.

In our 2009 issue, we look at the global economic downturn and its impact locally on small enterprises. Magali von Blottnitz, provides an economic overview of SMMEs in 2008, Enver Buys focuses on entrepreneurship as a development opportunity for Africa and Robert Power highlights the importance of risk management interventions for new businesses.

Our theme on challenges faced by small enterprise support institutions received an overwhelming response, indicative of the many and varied interventions needed to increase the effectiveness of Small Business Development support. Magda Hewitt's research paper investigates influencing factors on SMME activity. In her article, Anneline Chetty looks at public and private sector approaches to SMME development and support, especially within the Ethekwini Municipality. Dr Musengi-Ajulu's research paper delves into the development of an understanding of black family-owned businesses as a means of enhancing effectiveness of small enterprise support institutions. Phindile Tshabangu offers the model of business incubation as a solution to smme support and Wellington Thwala and Makgati Phaladi provide a case study of the North West Province regarding challenges facing SMME contractors specifically.

We focus on rural development and SMMEs with Sera Julius Tlhomola's article on SMME development and the empowerment of rural women, while Blessing Karumbidza elaborates on the theme by addressing the institutional, cultural and social factors hindering the empowerment of rural women through SMME development.

The South African cultural industries have been identified as holding tremendous potential for poverty alleviation and skills development. Ashling McCarthy and Khulile Mavundla highlight the importance of the craft sector and its contribution to the broader South African economy rural and livelihoods.

With such a wide range of research material and editorial views expressed in the 2009 Small Business Monitor, we are confident that the debate and discussion stimulated by these articles will contribute to furthering the growth of the SMME sector and that of its support institutions.

A handwritten signature in black ink, appearing to read 'Tlalane Teffo'.

Tlalane Teffo
Editor

AN ECONOMIC OVERVIEW OF SMMEs IN 2008

By - Magali von Blottnitz

Financial breakdown, global economic crisis, record-level downturn, systemic risk, recession, instability of emerging markets - these words are on everybody's lips. Even though South Africa has not experienced a financial disaster of a scale comparable to the American and European ones, the economic climate is depressed and confidence is low. Against this background, there is an obvious need to establish the impact that price fluctuations and other economic indicators have had, and are likely to have, on the South African small business economy.

Domestic factors defining the trading environment of SMMEs, including socio-political elements, also deserve mention for the way they have affected small businesses in this past year. This article, which includes a range of statistical data on South African small businesses, offers an overview of economic and other aspects pertaining to the SMME sector at the end of 2008 and identifies new trends.

The general economic context is depressed... but there are still reasons for hope for some SMMEs.

The year 2008 has been rich in stronger-than-expected economic developments globally and domestically. While most of them have had a depressing effect on the Small



Magali von Blottnitz is a French national who settled in South Africa in 2001 with her South African husband. She holds a degree in Political Science and Economics from the Institut d'Etudes Politiques de Paris, as well as a Masters degree in Finance from the Universität Mannheim, in Germany. She has recently submitted a doctoral thesis on the Financing of Small Businesses in South Africa to the University of Cape Town and is waiting for graduation. Magali has been involved in small business research for the last six years, contributing to works for the Policy Board for Financial Services and Regulation, the Trade and Industry Policy Secretariat (TIPS), The City of Cape Town, and Seda.

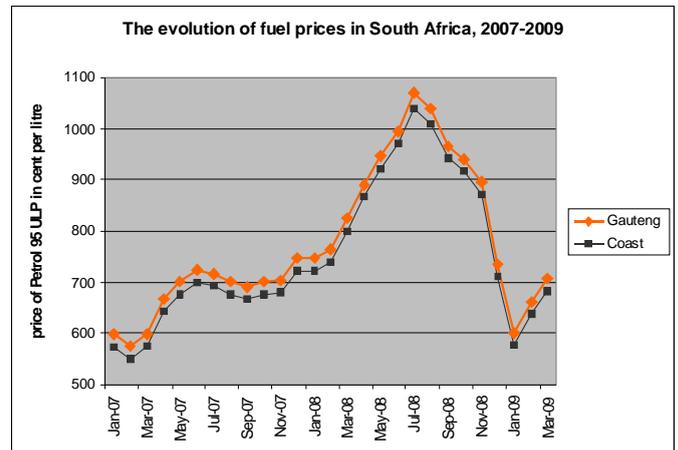
Business sector, some evolutions can also represent opportunities for those SMMEs which are able to seize them.

The surge in fuel prices

The surge in fuel prices, which was particularly steep between December 2007 and July 2008, has been among the first economic evolutions affecting the South African economy, and SMMEs in particular. The fact that 98% of South Africa's FMCG (Fast Moving Consumer Goods) are transported by road (State of Logistics, 2006, quoted by Van der Heijden and Tsedu 2008 p. 25) explains the impact it has had on the economy.

Since August, fuel prices have returned to the levels prevalent in 2007, providing relief to large parts of the economy. However most micro and very small businesses have not benefited from this relaxation of fuel prices (Van der Heijden and Tsedu 2008 p. 26). The reason is that they are often dependent on hired transport to fetch items from wholesalers and/or manufacturers, and that evidence suggests that these prices are downwardly sticky; i.e. they do not go down when the petrol price declines. As a result, the smallest businesses continue to face disproportionate cost.

Figure 1 The evolution of fuel prices in South Africa, 2007-2009



Source: compiled from Central Energy Fund (2009, p. 4)

The evolution of fuel price may not be entirely negative, though. Some small businesses may have been able to seize the opportunity of more expensive transport, for example:

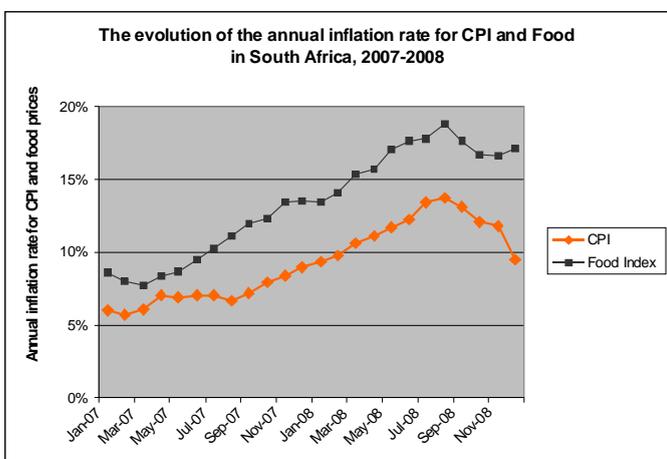
- in the transport industry, by offering collective transport services at a time when it was no longer economically viable to drive in individual vehicles;

- in the retail industry, by emphasising the benefit of proximity for those customers who could no longer afford to travel medium to long distances for their shopping.

Food price inflation

In parallel to fuel prices, and consistently again with global trends, general prices and in particular food prices have increased sharply during 2008, although the annual inflation has decelerated after August 2008.

Figure 2 General inflation and food prices in South Africa, 2007-2008



Source: Stats SA, CPI release, January 2009

This price evolution has affected small business both directly and indirectly (Van der Heijden and Tsedu, 2008).

A first impact has been through the reduction of real disposable income of households, causing weaker demand. The data shows that consumption expenditure of South African households has followed a sharp downward trend since the first quarter of 2008 for durables (such as motor vehicles, house and entertainment equipment). The consumption of non-durables has been stagnant in the first half of 2008 and started decreasing in the second half of the year. The only segment that is remaining stable is that of semi-durables such as clothing (SARB, 2009).

Of course, such lower consumer expenditure affects all business, but SMMEs are likely to be more strongly hit for several reasons:

- SMMEs usually have less bargaining power, and are therefore rarely able either to negotiate price concessions from manufacturers or wholesalers or to pass inflationary costs on to their consumers.

- Due to their smaller size, small businesses generally find it more difficult to ride out periods of reduced consumer spending.
- A large portion of South African SMMEs operate in the retail sector and serve the bottom-end of the market. Due to the stronger share of spending that goes towards food items in low-income households and the more-than-proportional surge in food costs, this market segment has been particularly hit.
- A similar effect can be observed in rural areas, as rural inflation has been higher than urban inflation. Again, this affects the poorest households, which are most likely to be clients of an SMME (such as rural spaza shops).

A second impact of food prices on small businesses has been discussed by Van der Heijden and Tsedu (2008): they argue that in most manager-owned business, the owner falls into the lower to middle-income category, and will also be adversely affected by inflation. Since most SMMEs, especially the youngest ones, rely on the owner's private resources for their expansion and working capital requirements, they are likely to suffer from low liquidity during this adverse business period.

Cost of money

In response to inflation, South Africa has raised interest rates on several occasions in the course of 2008. This has further compounded the adverse economic effects for SMMEs by:

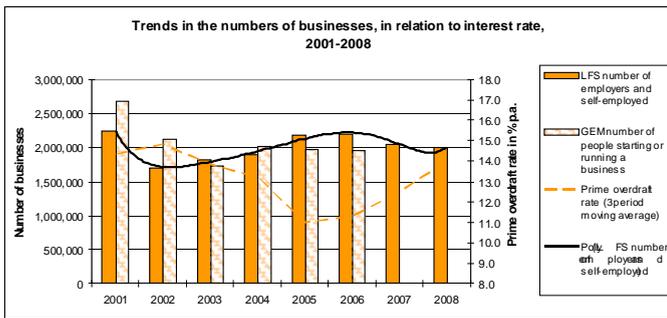
- further reducing the disposable income of consumers who faced increased debt servicing costs;
- similarly restricting the ability of sourcing liquidity for the small business owner;
- raising the cost of debt for those SMMEs that have benefited from loans or other form of financial debt;
- causing to postpone or drop investment plans for those that were planning to take up external finance;
- ultimately, leading to increased insolvencies and bankruptcies, especially for debt-bearing SMMEs, while slowing down entrepreneurial activity as external funding becomes too expensive for a start-up.

The fact that most young SMMEs do not get business-specific loans but rather rely on existing sources of capital like mortgage bonds, makes them particularly sensitive to interest rate fluctuations.

The following chart illustrates quite well the inverse relationship between the interest rate and the number of active businesses (of which an overwhelming majority are SMMEs). It appears that when the interest rate (orange dotted

line) goes up, the number of SMMEs (black polynomial trendline) goes down, and conversely. Especially, the higher interest rates experienced since 2006 have been accompanied by an apparent decline in the number of active

Figure 3 The inverse relationship between interest rate and number of businesses, 2001-2008



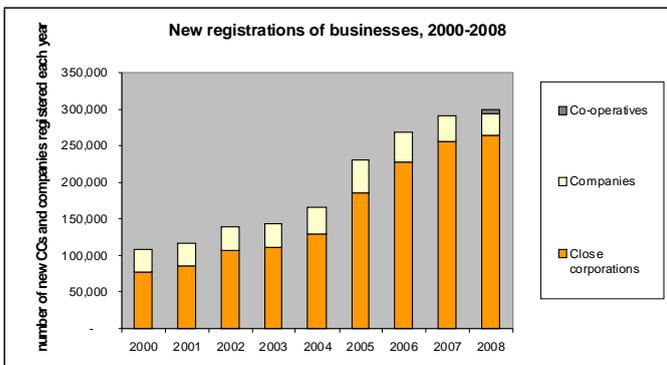
Source: own compilation based on Stats SA and GEM, with interest rate data from SARB.

Trends in business creation and business failure

For a better understanding of the effect of interest rates and economic climate on the SMME economy, it is useful to look separately at the trends in business creation and business failure.

The following chart shows the evolution in the number of registrations of close corporations and companies in the last eight years. It is important to note that the businesses of which only a tiny minority are large enterprises represent only a small proportion of the small business spectrum. Indeed, many businesses operate, whether in the formal or informal sector, without registering as a separate legal entity. Nevertheless, data from CIPRO gives a reasonable idea of trends concerning the formal SMMEs.

Figure 4 Insolventcies and liquidations, 2000-2008



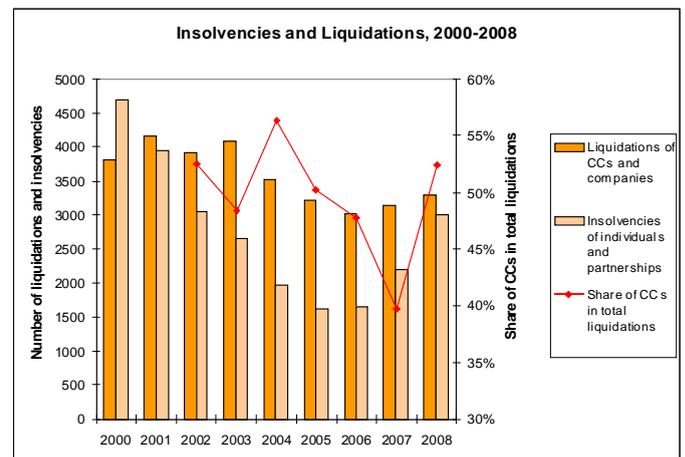
Source: compiled from CIPRO 2009

As the chart shows, after a rapid increase in the number of SMMEs created since 2004, the trend in registration of new businesses has stabilised in 2008. This slowdown in business creation is likely to apply further in 2009 as the economic climate is not favourable to entrepreneurial activity.

(It may seem intriguing that the year 2008 sees a sudden appearance of cooperatives as a new type of business entity. This is because the Cooperatives Act 2005, which was implemented on 2 May 2007, defined a new and simpler registration procedure for this type of entity. In the absence of comparable cooperative data for the years prior to 2007, it is not yet possible to say whether the Act has already been successful in creating a more active and supportive environment for cooperatives.)

On the other hand, the following chart shows the evolution of business mortality. Again, a word of caution is required as liquidations represent only a minority of business failures. Many businesses are simply suspended or become inactive without undergoing a formal process of liquidation (CC or company) or insolvency (sole proprietors or partnerships). Nevertheless, these statistics again can be regarded as indicative of the trends applying to the small business sector.

Figure 5 Insolventcies and liquidations, 2000-2008



Source: compiled from Stats SA releases

This chart shows that, after a few years of reduction in the number of liquidations and insolvencies (five years for insolvencies, three years for registered businesses), the trend is upward again. The increase in the number of insolvencies is particularly drastic, especially given the very regular improvement that had taken place in the first half of the decade. For CCs and companies, the aggravation of insolvencies remains modest at this stage, albeit clearly perceptible.

The divergence in evolution between insolvencies and liquidations hints at a stronger vulnerability of the smaller, more informal SMMEs. While medium-sized companies may have more ability to ride out adverse business periods and remain in activity in spite of lower turnover, less sophisticated enterprises may be forced out of business by unfavourable circumstances. While strongly fluctuating, the share of CCs in total liquidations would seem to confirm this point, as 2008 has seen a higher proportion of CCs being liquidated, compared to companies which are typically larger.

Depreciation of the South African currency

Turning to a different indicator, the effective exchange rate of the rand has depreciated significantly against major currencies, with several shocks during the course of 2008. This has been a result of the deterioration of global financial risk and the further reduction in international commodity prices.

- This evolution has affected and is likely to further affect SMMEs in different ways:
- For all businesses having dealings with other countries, the fluctuations of the rand may have generated losses, as SMMEs are less likely to use hedging strategies than are large enterprises.
- Generally, imports have become more expensive, penalising the SMMEs that rely, directly or indirectly, on supplies from abroad; conversely, those whose supply chain is essentially domestic (which are becoming the exception rather than the norm in this age of globalisation of supply chains), may actually have gained in competitiveness against imports;
- Conversely, South African exports have become more competitive abroad, creating opportunities for enterprises that are able to export. Again, this is likely to concern only a minority of South African SMMEs; however, the more innovative ones may be able to reap benefits from this situation or at least, to compensate the slower global demand through more competitive prices. As a matter of example, the CITI 2007 Census shows that 23% of ICT businesses in the Cape (most of which are SMMEs), export at least some services - especially in the software development and online digital media segments.
- Another effect of the cheaper South African currency is that South Africa is gaining in attractiveness as a tourism destination. If this tendency is confirmed over the next months, it may represent an opportunity for the many craft, accommodation, tourism services SMMEs which, directly or indirectly, are dependent on tourists for their business.

Industry-by-industry review

After an annual growth of 5,1% in 2007, the GDP has experienced a considerable slow down of its growth in the first half of 2008, and finished the year with a negative growth of -1,8% in the last quarter (SARB 2009), bringing the annual GDP growth rate to 3,1% in 2008. An industry-by-industry review helps establish the effect this has had and will have on SMMEs.

The contraction of the economy started in the mining sector, which was hit by a combination of international and internal factors. Given the structure of the mining sector, which is strongly dominated by large enterprises, this could be indifferent to the small business economy but it is clear that there are many SMMEs in the supply chain.

This adverse evolution in the mining sector was largely compensated by a substantial growth recorded by the agricultural sector, which benefited from a successful maize crop. Again, this is only of indirect relevance to the Small Business sector.

More worryingly for SMMEs, a decline of the real output declared itself in the manufacturing sector, with a contraction of 2,7% in the third quarter and 5,7% in the last quarter of 2008. It was prompted by a combination of global recession, falling commodity prices and slower domestic demand.

- Again, the strongest declines are found in the segments dominated by large enterprises, such as the manufacturing of motor vehicles, parts and accessories, basic iron and steel as well as petroleum, chemicals, rubber and plastic production. This may mean that SMMEs have not been severely affected by this downturn.
- However, the furniture and other manufacturing divisions also experienced decline (5% and 6,4% respectively in December 2008), reflecting pressure on durable goods spending.
- Even in the segments producing non-durable or semi-durable consumer goods, such as textiles, clothing, leather and footwear; and food and beverages, the growth was notably slower, if not negative, reflecting the sluggish growth in consumer expenditure. These are the manufacturing segments with the strongest SMME representation.

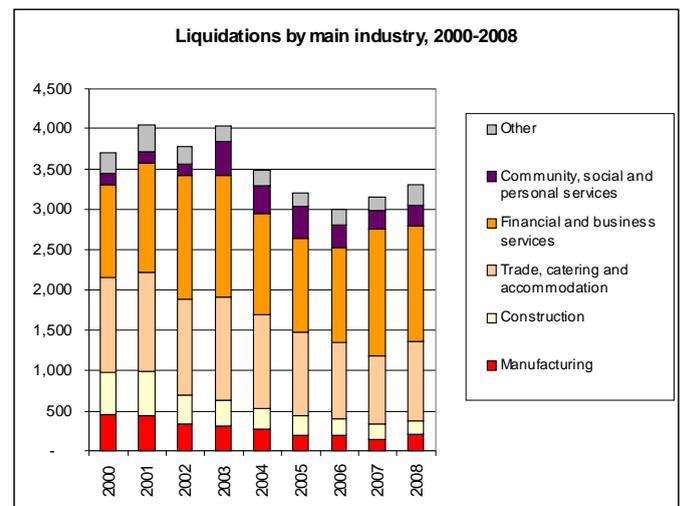
In the other industries, the adverse economic context seems to be cushioned or appear only with a time lag, reflecting gradual spill-over effects from manufacturing and mining.

- The transport, storage and communication sector, which has a strong SMME component, has not entered a recession, even if its growth rate has declined to 1,8% in the fourth quarter of 2008, from 4,5% in the third quarter. However, the slower activity in mining and manufacturing is likely to create further pressure on this sector in months to come.
- Similarly, there is a risk that the wholesale trade sector will be affected, aggravating the difficulties experienced by SMMEs in a sector which is increasingly dominated by large enterprises.
- The retail sector is at risk considering the factors already mentioned, i.e. the contraction in household demand caused by a declining real disposable income after debt servicing costs. The worrying unemployment trends, with evidence of longer periods of unemployment, including in higher income categories (Standard Bank 2009), are likely to be bad news for the consumption expenditure, even though on the other hand the lower interest rates and inflation will hopefully help avert a dramatic contraction of demand.
- The construction sector seems to be largely resilient, with significant growth experienced throughout the year 2008. However, this growth is mostly carried by the subsector for construction works, which continued to benefit from the upgrading of existing infrastructure and large projects such as the Gautrain, power stations, roads, sports stadiums and related infrastructural developments. SMMEs play only a peripheral role in projects of this size, whereas the subsector of home building, which may be more relevant for small businesses, is slowing down.
- Lastly, the business and financial services sector remained relatively robust given the context. While financial services are understandably suffering from the global financial crisis, services dedicated to businesses, a segment in which SMMEs have a large market share, have been able to escape the depression observed in consumer demand. So far, the commercial demand remains substantial. Real estate services similarly remain strong.

Regardless of the sector, the typical interdependencies that develop around a supply chain are a cause for worry in many SMMEs in a time of economic depression. This is because, compared to their larger counterparts, SMMEs are less able to protect themselves against bad debt, which can have a dramatic impact on their performance. Goldstuck (2008a) found that bad debt has increased by 31% over the previous year for SMMEs with a negative cash flow, and by 22% for SMMEs with a positive cash flow.

The following chart, which represents the number of liquidations of CCs and companies by industry, confirms the sectoral review: there has been a slight increase in the number of liquidations from the manufacturing and trade sectors, while the construction, financial and business services sector are able to resist.

Figure 6 Liquidations of CCs and Companies by industry



Source: own compilation based on Stats SA releases

To sum up this review of the economic context, it makes no doubt that the economic climate in 2008 has affected the small business economy. Overall, as Charts 4 and 5 show, entrepreneurial activity is slowing down, whereas insolvencies and liquidations are beginning to increase. However, the impact of the depression on SMMEs can be differentiated:

- The contraction in demand from low-income consumers and the rise in supplier prices are certainly having a dramatic impact on the smallest, poorest and most vulnerable enterprises, especially those that are focusing on the retail of basic food items.
- Manufacturers of consumer goods, including durable goods, are similarly suffering from a contraction of demand and a rise of the price of supplies, especially when they are imported.
- But SMMEs that offer innovative solutions to cope with the context, and those that are specialising on a commercial market, are able to resist to the crisis.
- In their majority, SMMEs in the construction sector are also expected to be sheltered against the crisis by a continued growth in the industry.

Developments in the South African society include good and bad news for SMMEs.

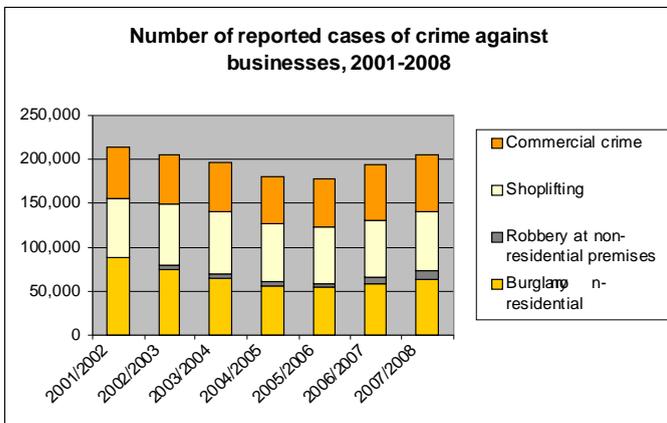
While it is clearly not possible to review all social developments that have had an impact on small businesses in 2008, a few elements are provided here for reflection.

The increase in crime against businesses

In a study published in 2008, the Small Business Project insisted on the multiple impact of crime on SMMEs (SBP 2008a, p.4), especially the smallest and the most successful entrepreneurs.

A consultation of the latest SAPS statistics show that, after an improvement in the beginning of the decade, the crime against businesses is on the increase again. The statistics visible in Chart 7 are focused on crimes specifically affecting businesses - although the 14% increase of robberies at residential premises, which has been observed in 2008 (SBP 2008b), is obviously relevant to SMMEs, which often operate from home.

Figure 7 Evolution of numbers of reported crimes against businesses, 2001-2008



Source: compiled from SAPS, 2008

The prevalence and financial cost of crime to SMMEs is illustrated by the following statistics:

- 54% of the small businesses surveyed have experienced at least one incident of crime in the year 2007, with almost 20% having been victimised three or more times; 70% of business owners said that they felt vulnerable to crime while at work.
- The losses of turnover caused by crime amounted to an average of 20% for the smallest businesses and 8.3% for

entrepreneurs with sales of between R15 000 and R25 000. Since only 50% of businesses are insured, such losses could easily be fatal for the businesses. (SBP 2008a, p.4)

It must further be noted that the impact of crime on SMMEs goes far beyond the direct financial cost, and includes:

- unwillingness to expand or invest in the business (especially for entrepreneurs in townships and informal settlements);
- lower likelihood to increase employment, and higher likelihood to decrease employment.

From this point of view, the upward trend in crime against businesses in the last two years is bad news for the small business economy.

Xenophobic crime

A particular mention is required here of xenophobic crime, which has affected virtually all small enterprises owned by African foreigners in 2008. Those enterprises had been shown to contribute strongly to entrepreneurship and job creation in urban areas, especially in Gauteng (FinMark Trust and Rogerson, quoted by SAMP 2007), not to mention their role in offering reasonably-priced basic items to the population.

Although no research is known at this stage, the wave of xenophobic attacks that has shaken the country from May 2008 has had multiple effects on those small businesses, both directly and indirectly:

- direct cost would include the amount of stock stolen or destroyed, losses of looted shops etc.
- more seriously, the indirect impact would include the number of businesses that have been suspended for fears of further attacks, the number of business owners repatriated or relocated to safer sites where they have to build up again, possible losses due to politically-driven boycotting of foreign shops, more stringent border controls inhibiting micro-trade, etc.

Unfortunately, lack of data does not enable us to evaluate the number of foreign-owned businesses still in activity.

The impact of commercial developments in townships

In the last few years, South African townships have experienced an unprecedented surge in commercial investments, especially through the creation of new shopping centres (SEDA 2007, p. 72-83). In Soweto in particular, 2007 and 2008 have seen the development of shopping malls falling into the following categories

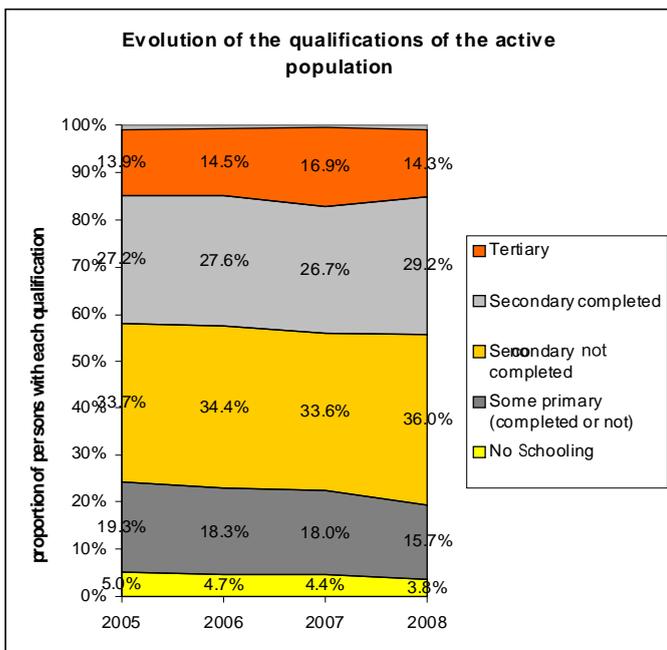
- neighbourhood and community centres with a gross letting area of 10 000 to 15 000 m2

- very large shopping malls (such as the Jabulani and Maponya malls)
- new mixed developments where retail is associated to tourism or office / industrial activities.

The impact of this transformed retail structure on small retailers has been studied by Ligthelm (2009). His findings suggest that the exacerbated competition by national chains and franchise businesses has had a drastic effect on small retailers. Within only one year, from 2007 to 2008, almost 30% of the businesses surveyed have had to close down, while 13% of them have had to relocate to other premises. Less than 57% of the small businesses surveyed were still operating from the same premises.

Most affected by this competition were informal street vendors, younger businesses and the ones related to necessity entrepreneurship. The bigger enterprises, especially those operating from more formal premises and implementing basic management practices, have had higher survival rates. This remark suggests that shopping mall competition is not the only reason for the failure of micro-businesses; internal factors may play an even larger role.

Figure 8 Evolution of the qualifications of the active population, 2005-2008



Source: compiled from Stats SA Labour Force Surveys in September 2005, 2006, 2007 and 2008

Education

The latest note suggests that it is important to consider progresses made in education as it has been shown that more qualified entrepreneurs are more likely to survive.

While no dramatic changes have occurred in the qualification structure of the active population in 2008, a review of statistics from the labour force surveys paints a mixed picture of the progress taking place in remedying the lack of qualifications of active South Africans (who are potential entrepreneurs).

The most significant progress is that the proportion of active South Africans with no secondary education has been reduced, from 24% in 2005 to 19,5% in September 2008. At the top end of the qualification spectrum, unfortunately, the improvement is not statistically significant.

The progress of access to minimum schooling in the lower tiers of the active population is likely to strengthen the most vulnerable, informal economy but this is a trend that will only slowly come to fruition. On the other hand, tertiary education, which would have the potential of bringing more immediate benefits to the SMME economy by bringing about innovative and competitive businesses, has failed to respond to the hopes.

The improvements in access to communication

A last social factor must be considered here, as it has been repeatedly mentioned as the major obstacle to business in the ICT sector (CITI Census 2007, p. 42). It concerns the cost and quality of communication, especially phone and broadband internet access.

World Wide Worx 2008 Survey on the use of information and communication technologies by small to medium South African companies (Goldstuck 2008b) found that ADSL has finally replaced dial-up as the connection of choice for the South African SME. 63% of the businesses surveyed now use ADSL as their primary connection to the internet, and 10% use wireless broadband. In other words, the introduction of ADSL in 2003 and the strong reduction in prices in the course of 2007, as well as the final relaxation of regulatory requirements (with the recent agreement of the Department of Communications to allow all network operators to supply their own infrastructure), have enabled a more general use of this technology and thereby an increase in global competitiveness especially in the South African ICT sector. Remaining restrictions still placed on data capacity should start becoming a non-issue from the middle of 2009, as the first of the major new undersea cables enters operation (Goldstuck 2008c).

Conclusion

To conclude this review, the latest SMME statistics confirm the generally tough conditions faced by small businesses in 2008. It makes no doubt that South African SMMEs are feeling the pinch of the price and interest rates fluctuations, with their impact on consumer demand, and the spill-over effects from a generally depressed global and domestic economy. Some social factors, especially crime, are also increasingly taking their toll on SMMEs.

Nevertheless, at least in the formal economy, the situation is far from being dramatic. Enterprises are still being created, some sectors show resilience, and a few positive factors are partly compensating the otherwise unfavourable circumstances. Although 2009 is expected to be another difficult year for SMMEs, the slowing down of inflation and interest rates mean that there is a hope that a major collapse of the sector will be averted.

References:

Central Energy Fund 2009, Media Statement for Release on 27 February 2009, Released on behalf of the Department of Minerals and Energy available on <http://www.cefgroup.co.za/images/petrolprice/monthly.pdf>

CIPRO (2009), Registration statistics 31/12/2008, the Companies and Intellectual Property Registration Office.

CITI 2007, Cape ICT Census 2007, commissioned by the Cape IT Initiative (CITI), and presented by Frost & Sullivan Growth Consulting.

GLOBAL ENTREPRENEURSHIP MONITOR, Executive Reports 2001-2006 - University of Cape Town, Graduate School of Business, Centre for Innovation and Entrepreneurship

Goldstuck 2008a, Micro-enterprises bear brunt of crisis, World Wide Worx Press release, 21 October 2008

Goldstuck 2008b, ADSL comes of age in SA, World Wide Worx Press release, 11 November 2008

Goldstuck 2008c, Internet turnaround has begun in SA, World Wide Worx Press release, 4 December 2008

LIGTHELM, Prof Andre, 2009, Small Business Success and Failure in Soweto: A Longitudinal Analysis (2007-2008) (Research Report no 377), Bureau for Market Research, Unisa, issued 13 January 2009

SAMP (2007): South Africa, February 2007, an article published in Migration news for the South African Migration Project (SAMP) at Queens University, Canada, available on http://www.queensu.ca/samp/migrationnews/article.php?Mig_News_ID=4491&Mig_News_Issue=26&Mig_News_Cat=8 [accessed 5 March 2009]

SAPS 2008, Crime Statistics in RSA per Province between April and March, 2001/02 to 2007/08, published by Crime Information Management, South African Police Service.

SBP 2008a, The Impact of Crime on Small Businesses in South Africa, Executive Summary, July 2008

SBP 2008b, The Impact of Crime on Small Businesses in South Africa, July 2008, A study commissioned to the Small Business Project by the Office of the South African Presidency, ISBN 978-0-620-41562-0

SEDA 2007, Review of the South African Wholesale and Retail Sector and Its Small Enterprises in 2007, a sectoral report by Magali Von Blotnitz for SEDA, the Small Enterprise Development Agency, ISBN 978-0-9802733-7-3

SOUTH AFRICAN RESERVE BANK: Interest rate statistics, February 2009

SOUTH AFRICAN RESERVE BANK, Quarterly Bulletin, December 2008

STANDARD BANK ECONOMIC RESEARCH, 2009: South Africa: GDP production analysis , Declining growth momentum gathering pace, written by Danelee van Dyk, 24 February 2009

STATISTICS SA, Labour Force Surveys (LFS, P0210) from September 2000 to September 2007, as well as Quarterly Labour Force Surveys (QLFS, P0211) for June, September and December 2008

STATISTICS SA, Statistics on Liquidations and Insolvencies (P0043), 2000 to January 2009

STATISTICS SA, Consumer Price Index (CPI, P0141) December 2008 and January 2009

VAN DER HEIJDEN, Tracey and TSEDU Mbofholowo (2008), The Impact of Rising Fuel and Food Prices and Small Businesses, a TIPS study for the Foundation for African Business and Consumer Services (FABCOS), November 2008

AFRICA'S PEOPLE MUST EMBRACE ENTREPRENEURSHIP AS THE PROMISE AND HOPE FOR A BETTER LIFE

By - Enver Buys

Africa is one continent that embodies extremes such as "cradle of humankind", up against "catastrophic bloodshed in ...", "mineral rich" up against "the worlds poorest continent", "a market of a billion consumers" up against "more than half of Kenyans live on a couple of dollars a day", "free and fair elections" up against "pervasive corruption and incompetent political management", "exceptional athletic capability" up against "the home of nasty diseases such as Malaria which still kills up to 3 million people a year and 3,000 children a day" and not forgetting "the capital of AIDS". This was the Africa of yesterday before the winds of entrepreneurship swept across the entire continent. "You cannot remake the world without remaking yourself. Each new era begins within. It is an inward event with unsuspected possibilities for inner liberation." (Ben Okri, 1999)

Africa's resurrection is long overdue. The citizens of Africa need to put Africa on the map for the right reasons. No quarter must be spared in developing an attractive Africa. Through entrepreneurial activities we the citizens must make Africa competitive. We have to get beyond the blame and traditional thinking trap. Political leaders, business leaders and civil society must begin a respectful, fact-based dialogue about our limitations and how we plan to tackle the challenges. We



Enver Buys is founder and president of Chaza Strategic Management, and Chaza Vitality Incubator for Entrepreneurs. He is a highly rated strategic management consultant with expertise honed over a period of 10 years in Strategy Design / Implementation for both Public and Private sector entities and organisations. He is a visionary leader and initiator of various entrepreneurship bodies and entities across the continent including informal trade organisational structuring and community development. He is a respected community leader, having served his extended community in various organisational structures and positions.

need to focus on collective competitive advantage as a continent. The common thread that unites us should be shaping a new Africa, built on the backbone of a vibrant continent that is honestly entrepreneurial.

The time has come for innovative and creative solutions that are not just about the four P's of marketing - placement, price, packaging, and product. Africans must tap into the innovative thinking of the people on the ground in all of Africa. Institutions like the International Monetary Fund, The World Bank and the European Union must prioritise entrepreneurial development funding for Africa, that is, if they purpose to reduce poverty and create a vibrant Africa. It's no secret that Millennium Development Goals were doomed from day one, simply because the citizens of Africa played no active role in setting any goals. It shall turn out be another pipe dream by highly paid academics and administrators.

The champions of the think and act entrepreneurial Africa must be ordinary entrepreneurs from all walks of life. They must purpose to leave a legacy of well being where the lives of all ordinary people are respected. As a commitment to hope, Africa's citizens must ensure that economic prosperity for all Africans becomes a reality. They can deliver a better life if they embrace entrepreneurship as the hope for a better life.

"Time has been lost. We have wasted opportunities and face additional challenges, making the task ahead more difficult. It is now our responsibility to make up lost ground and to put all countries, together, firmly on track towards a more prosperous, sustainable and equitable world", (Ban Ki-moon, 2008)

When everything is said and done, the future of entrepreneurship in Africa must be in the hands of visionary African people who are dedicated to the growth of the continent. The days of exclusive political gatherings for heads of states such the New African Initiative, and the various countries' Poverty Reduction Strategy Papers and Poverty Strategy Action Plans are over, as they've failed to deliver anything despite the many costly fancy documents produced over the last decade.

The new Africa needs honest independent thinkers, doers and believers that must think entrepreneurially in the very competitive global economy. The computer mouse of techno savvy entrepreneurs at Google is a hundred times mightier than the killing machines of the American army. The birth of

the Information Technology era has been embraced by thousands of young entrepreneurs in Europe, America, India and China, which in turn has changed the way business is being transacted worldwide. Digital technology has become the irresistible companion for billions of people across the globe, in the process fueling the ambitions of ordinary young innovative thinkers without any political connections. All over the world the young and the old hero worship the founder of Microsoft, Mr. Bill Gates and the founders of Google, Larry Page and Sergio Brin.

“Providing internet connectivity to the developing world will help realise goals for health, education, employment and poverty reduction. By the end of 2006, 1.2 billion people were connected to the internet just over 18 per cent of the world's population. But the digital divide is still wide.” (United Nations Report, 2008)

For Africa to change the fortunes of its people it must break free from the abusive centralisation of power by the African presidents, where power is centered in one office. Not only do these high and mighty self-seeking rulers abuse power, they also tend to corrupt local chiefs in the process. Through well disguised maneuvers the chiefs end up selling valuable commodities such as platinum, gold, diamonds and oil to evil traders in Europe or America. In most cases they exchange precious commodities for guns. While they and their children stay comfortably in the secured serenity of Europe or America, their activities continue to make Africa a place of hell for the locals. Only in Africa is the gun mightier than the mouse because the leadership of Africa is corrupted by military power and driven by personal greed that costs the continent billions of dollars.

“I have chosen to speak about corruption as the deliberate disdain to sustainable development because of its global impact on development and how this disdain negatively influences ordinary people and in particular poor people who have no where else to turn to but to corrupt governments, corrupt private sector and the corrupt civil society. While we sat and toiled and burnt the midnight oil in our studies to make a substantial difference with our education, others executed their plans to erode our values, to corrupt our liberations, to line their pockets. This is not a matter for our respective disciplines to deal with in isolation, but to step out of our academic disciplines and address this scourge jointly. 'Life is what happens', said John Lennon, 'when we are making other plans'. Corruption survives because we are

making other plans. I would like to urge this conference to seriously consider the enormous intellectual capital in this room, to harness it for the larger challenges of the world economic crisis, HIV and Aids on the continent, corruption, and to bring back the \$148 billion that the continent loses every single year to corruption” (Dr Danny Titus, 2009).

We seem to do business with our eyes on the here and now oblivious to the future and the impact of fast and furious changes in the global economy. Future trends seem not to be a part of our here and now business reasoning thus we always seem to play catch up. African leaders concern themselves with the short term, fixing tomorrow. In fact, very few of those entrusted to lead the African people think about the long term sustainability of the continent. We need strategic business development plans that define what would become the engine of the African economy

“The reason for the success of the East Asian countries was partly excellence, but mainly by understanding international technological trends, so that they got into electronic industries before most other countries.” (Professor Ha-Joon Chang, 2008)

Outdated strategies come with devastating consequences. First in the firing line are innocent workers who are the first to be laid off, walking away with shallow severance packages, while overpaid executives take millions plus the luxury of getting another high paying job even before they are laid off. To spur entrepreneurship and industrial development the leaders on the African continent must eliminate regional tax burdens immediately in the interest of regional growth. African leaders must learn to work with a common purpose and commitment to safeguard the future of our children in this colourful continent. Our ability to change the landscape of poverty in African communities must be driven by new business opportunities that channel capital into the continent, giving birth to a thriving Africa for decades to come.

Africa's nearly one billion inhabitants have big consumer needs and astronomical buying power. Despite this captive capital-rich consumer audience, not a single African government makes funding available for research and development into the continent's entrepreneurial trends. It does appear that independent researchers cannot be trusted by those in power on the continent, but only research instituted by the government units, which in most cases becomes a political mouthpiece and a farce, serving the



interest of the political masters. Research and development is the bloodline of innovation, the playground for new ideas.

Africa's entrepreneurship has no bloodline to science and technology, both critical machinery of a healthy entrepreneurship lifestyle and entrepreneurship culture. While the rest of the developed and developing world increases their spending on research and development, Africa is finding reason to spend less on research and development. The present teams of leaders are trapped in the Industrial Age where research and development was taboo. An inadequate rate of reinvestment in science and technology is restricting Africa's feeder system for delivering a healthy supply line of entrepreneurs that generates good revenue and becomes a creator of jobs for locals all over the continent.

The Global Entrepreneurship Monitor (GEM), a social survey directed at the individual, does global research annually. The primary purpose of GEM is not to count the number of new businesses in different countries. It is about measuring entrepreneurial spirit and entrepreneurial activity through different phases of the entrepreneurial process. GEM generates more than measures of entrepreneurial activity; it also generates measures of entrepreneurial attitudes and aspirations. South Africa is the only African country, represented by the University of Cape Town, who funds their own research and development in-house.

The problem is not money - African governments spend billions on military equipment and the cost of factional wars on the continent is estimated at trillions of dollars annually. The real problem is the lack of commitment by those in power; they prioritise their own personal gains ahead of Africa's development needs. Due to poor visionary leadership, the statistics of Africa's entrepreneurs are a mystery that exists despite the fact that well over 50% of jobs in South Africa are created in the informal sector.

Micro and very small businesses in South Africa provided more than 55% of total employment and 22% of GDP in 2003. Small firms accounted for 16% of both jobs and production and medium and large firms 26% of jobs and 62% of production.

- In Morocco, 93% of all industrial firms are SMEs and account for 38% of production, 33% of investment, 30% of exports and 46% of all jobs.
- SMEs in Kenya employed some 3.2 million people in 2003 and accounted for 18% of national GDP.
- SMEs in Senegal contribute about 20% of national value added.
- Nigerian SMEs account for some 95% of formal manufacturing activity and 70% of industrial jobs.

Source: African Development Bank and Organisation for Economic Co-Operation and Development (2004-2005).

African leaders can no longer afford to view globalisation with suspicion when in fact it represents a window of opportunity for potential entrepreneurs on the continent. Through clever regional partnerships within the family of African countries, a regional community African of entrepreneurs can help create jobs and help grow local economies via partnerships. Globalisation is an unavoidable phenomenon hitting our corridors of life. There is no remedy, no cure, no stop sign that can make it stop and go away. Africa needs a common strategy on developing regional power blocks that can withstand the force of globalisation.

In order to foster unity, enterprise development and competitiveness, as well as regional stability, African countries should step up their efforts to foster regional trade integration. Tariffs have to be eliminated immediately where they are still applied, and other barriers such as deficient physical and institutional infrastructure also have to be tackled. African entrepreneurs must work alongside each other in the interest of strengthening the business and product offering of Africa.

Globalisation is an economic force, a strong wind, sweeping over our existence, infiltrating our homes, places of work, and places of worship. It grips the minds of our youth, causing them to act and think out of the box. We need to foster a mind shift away from government dependency to self enlightenment and empowerment of the individual. This is a prerequisite for the promise and hope of a better life under entrepreneurship. This new thinking includes not only government officials but the entire stakeholder community, which must act and think differently about making the most of the information age.

Our institutions of higher learning cannot continue to be just places of learning while elsewhere in Europe and America they're also engine rooms of entrepreneurial incubation. Our youth must see this second wave of the information age as a 'dream come true' where they can set-up their own Silicon Valleys in rural towns like they're doing in India and China.

At the University of Johannesburg in South Africa, a team of scientists led by University of Johannesburg (formerly Rand Afrikaans University) scientist Professor Vivian Alberts achieved a breakthrough after 13 years of long research. The breakthrough invention by Professor Vivian Alberts formerly at the University of Johannesburg, which uses a micro-thin metallic film, has made solar electricity five times less expensive than solar photovoltaic cells. For the first time, solar electricity is economically feasible and cheaper than coal. Global sales for solar panels are forecast to reach \$80 billion to \$100 billion by 2010.

The great Professor Vivian Alberts strongly believes in the future of alternative energy sources, particularly the direct conversion of sunlight into electricity. He should lead Africa's solar strategy and also set up Africa's Solar Institute. Besides conducting fundamental material research, the group with the great Professor Alberts has also developed the unique ability to produce and evaluate completed solar cell devices and mini-modules. This applied field of physics is relevant from an academic as well as an industrial point of view. The group actively collaborates with various national and international groups and receives financial support from the National Research Foundation and Volkswagen Foundation in Germany.

A "Silicon Valley" is nothing more than a refugee camp of revolutionaries who couldn't get a hearing elsewhere. Young African entrepreneurs from all walks of life must try their hands at just about everything and they must learn this at an early age. The sooner they learn how to turn anything into an opportunity the better it is for all of Africa. Young people must be encouraged to venture into new frontiers, without the fear of punishment because of failure. They must know that within failure lies the next opportunity that could possibly change the entire world through innovation. African entrepreneurs must be independent thinkers with an inner belief in their own abilities to create and initiate opportunities beyond the ordinary. "What we need is not an economy of hands or heads, but an economy of hearts. Every employee should feel that he or she is contributing to something that will actually make a genuine difference." (Gary Hamel, 2002)

The refugee camp of revolutionaries called the Silicon Valley brings dreamers, thinkers and funders together. Like Europe, America, India and China, Africa has plenty of dreamers and thinkers, but Africa doesn't have its own team of independent venture capital firms that is African in character and globally experienced. "Over the past four quarters - even as the depths of the nation's economic problems became evident - venture capitalists invested more than \$7 billion in seed and early-stage companies in more than 1,400 deals, according to the MoneyTree Report from the National Venture Capital Association. That's more money raised by young companies than in any calendar year since the dot-com bubble burst in 2001", John Tozzi, (2008)

The United Nations, the International Monetary Fund and the World Bank have the infrastructure and experience to set up venture funding agencies in Africa. These irrelevant and outdated agencies must take a different view to partnering with the African continent; they must prioritise the development of an entrepreneurship culture in Africa. They must use their fund as an investment into the lives of the people of Africa. Somehow it seems that those who manage funding in Africa use the same funding models that get used in Europe or America. Financial assistance for entrepreneurs in a primary and meaningful way represents an opportunity for the United Nations and the World Bank to re-invent itself and in the process assist Africa with lasting entrepreneurship development for the continent. Africa's economic development needs huge amounts of capital from venture funding agencies that are based on the African continent.

The role of venture funding needs to be viewed based upon the future focused business entities that mushroomed into global success stories in the United States, Europe and Asia. The illustrious list includes Microsoft, Google, Facebook, YouTube, Nokia, and Apple. Africa's think tank on entrepreneurship must take a closer look at business industries such as waste management, solar and wind energy and the wide list of biotech firms involved in areas such as neuropsychiatry, nephrology, immunology, and cardiology. If the international agencies lack the political will to change the face of Africa, role players on the continent must engage media groups like BusinessWeek and private equity investor firms in the United States to stimulate entrepreneurship amongst the locals. Of critical importance is the need to set up regional equity firms in Africa.



CapStar, a 47-employee bank founded in Nashville in July, raised an initial \$25 million from private equity investor Corsair Capital and an additional \$62.5 million in common stock. The bank, which claims to be the highest capitalised startup bank in Tennessee history, focuses on small and midsize businesses, commercial real estate, and personal banking. It estimates bringing in \$1.2 million in revenues in 2008. Regional blocks such as the South African Development Community (SADC) need to identify a pool of young regional equity funding specialists with the view of educating them through private equity firms like CapStar.

One of the United Nations and World Bank success stories is found in Nigeria amongst the waste. Cows to Kilowatts have found a clean way to convert slaughterhouse waste into biofuel for household cooking and electricity. Instead of smelly, inefficient traditional waste-treatment methods, Cows to Kilowatts offers a bioreactor system that turns organic waste into cheap, nonpolluting fuel. As a bonus, the system churns out environmentally friendly fertilizer from the remaining sludge.

The Cows to Kilowatts partnership built its first plant in Ibadan to treat slaughterhouse waste with a \$500,000 grant from the UN Development Program. The company then raised an additional \$200,000 from a World Bank competition and used it to build a bioreactor to generate electricity from cassava waste in the Nigerian city of Ilorin.

The Ibadan plant, which generates around 1,800 cubic meters of biogas per day, already provides affordable cooking gas to 5,400 homes. The plant is expected to be profitable within two years. The initiative is also reducing pollution inside the homes of poor families because the cooking gas it sells is

cleaner than commonly used fuels. Now, Cows to Kilowatts is raising money to replicate the Ibadan plant in other African cities in Zimbabwe, Kenya, and South Africa. Cows to Kilowatts made international headlines when it was named as one of the Tech Pioneers chosen by the World Economic Forum.

The global film industry is one of the biggest money spinners that has so much potential for young African producers, directors, script writers and actors. African cinema despite all its beautiful landscape, wildlife and safaris is ignored and under utilised. Public interest in African movies is not growing at the rate it should. The limited exposure and financial support African producers, directors and actors get from government agencies and private sector investment on the continent is to the detriment of Africa and its people. Bollywood is a major force in the global movie industry for the Indian government. Private investors and the media have taken the time to create superstars out of the local Indian actors. Bollywood's run-away success formula is built around culture, tradition, diversity, plenty of dance routines and a simple story line that speaks to the billions of Indians in India and the rest of the world.

African governments must think about the entrepreneurial benefits for Africa when it comes to movies, in other words, they must think what return on investment would be forthcoming for the continent and how many jobs it would create for the locals. Movies are a powerful tool to market and promote a loving and peaceful Africa. Africa's movie strategy should focus on setting up animation studios, promoting the majesty of the African continent, the people, culture and everything else African that is majestic and beautiful.

Global sport can be viewed as one of the biggest money making industries. Tennis, soccer and even athletics are experiencing phenomenal growth in Europe and America. Poorly skilled and under qualified sports administrators are appointed by their political masters to ensure the political goals are achieved as priority number one while the national standard regresses. Priority number one for any sports administrator must be the improvement of the performance of our African athletes and sports stars. In a nutshell, this means the appointment of the best candidate capable of achieving the desired priority of making African sport the best in the world. African government's must invest vast sums of money in development of African sports administration as a commitment to unlocking entrepreneurial opportunities for Africans in Africa. African superstars need to be managed by African sports administrators who like the superstars pour money back into the continent and the empowerment of its citizens.



African athletes are not achieving the results they should be on the global stage despite their genes, natural ability and the superb climatic conditions. Not a single country in all of Africa has a genuine athletics development programme for sprinters both male and female, yet the African American athletes have been dominating this event for the last 40 years. Every year African administrators fail to prepare basic logistics for African athletes before any major event and nobody gives a hell about changing these terrible conditions. Talented athletes battle on the ground, some even perish before they make it 'big', because those tasked to lead African athletes to the promised land of domination lack vision and insight in understanding the economic value of sports business for the people of Africa. Let's act and think entrepreneurially, Africa.

Every year billions of rands are dumped into the field of health and medical research in countries all over Africa by American and European companies. They conduct studies on various diseases that include malaria, yellow fever, East African sleeping sickness, and the lethal HIV/AIDS. The data and findings they extract from the costly research, becomes the birth place of new patents in the medical world. Africa is the incubator of the world's pharmaceutical and medical world and with the trials and tests that are conducted these firms are in a position to create new medicine for an ever growing number of patients with malaria, yellow fever, East African sleeping sickness, and HIV/AIDS. As is the case in mining, African entrepreneurs must seize the opportunity within the fields of health and medicine. African entrepreneurs cannot wait upon governments who have failed to provide even the

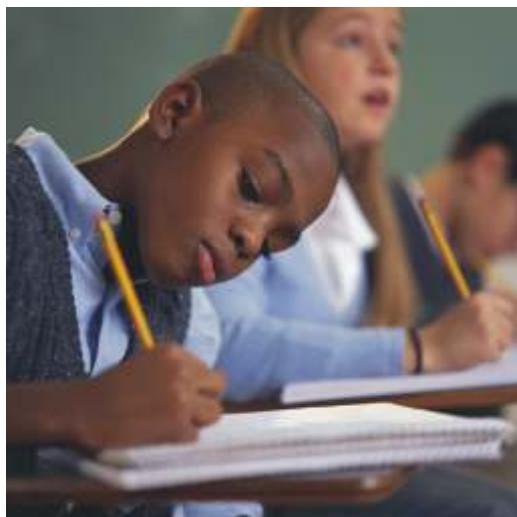
most basic of health services for the millions of poor people. American and European companies think about creating new products for new consumers which equals entrepreneurial thinking. Let's act and think entrepreneurially, Africa.

The emerging view from leading climate change scientists is that we have a window of about 10 years to commence effective action against climate change and finding alternatives energy sources without harming Mother Earth. Energy security and climate should be dominant features of public discourse and entrepreneurial thinking in Africa to promote entrepreneurial innovations that shape our collective contribution to the global effort to promote sustainable growth through cleaner energy.

LiveFuels based in the United States is one of several companies trying to produce low-cost biofuel from algae. Why algae? Since it grows in water, an algae farm doesn't eat up valuable farmland like corn, which is used to make ethanol. And because it grows through cell division, algae can be harvested every few hours, theoretically yielding as many as 20,000 gallons of oil per acre, per year. In fact, it appears that algae can generate more biomass - and oil - than nearly any other vegetation. Africa has loads of algae farms waiting to be harvested. If entrepreneurs are not guided in this direction Africa could end up buying alternative energy from the West in the future.

Africans waste huge amounts of energy on a daily basis despite the limited resources and on the other hand we're not making the most of the natural resources we have available. There are simple ways the ordinary people can use energy more efficiently such as turning off the power of VCRs and DVD players when they are not in use. Electronic equipment, buildings, lighting, water heaters, and autos are just some of the many products and facilities that account for wasted energy.

Improved energy efficiency saves money and helps to minimise negative effects on Mother Earth. Energy efficiency is the cheapest and most plentiful form of new energy the world has. Energy saved equals energy found. Professor Vivian Alberts will see the start of production of his innovative solar panel in Germany, in September. The solar panel he devised is thinner and cheaper (up to 50%) than those produced anywhere else in the world.



To create a new world of entrepreneurial opportunities for Africans, Africans need to escape the trap doors of political influence, bureaucratic controls and old fashioned thinking. To cultivate a culture of entrepreneurship we need to create an atmosphere where new ideas, new values and new teams can grow in a healthy environment of commerce. It's not possible to build a new era of entrepreneurship on old foundations, for the landscape is different and the competition is voracious. Young Africans must be equipped with a good background in math's and science if they wish to make progress in today's global information technology, knowledge economy. Entrepreneurial progress in the information technology field is highly competitive. There's no doubt that the ability to use software tools effectively is critical to succeeding in tomorrow's global knowledge economy.

Africans must not look for direction and guidance from the Americans when it comes to looking after Mother Earth; they're a bunch of reckless adventurers hard at work destroying the ozone. We must not look to Europe either for they don't have what we have in landscape. Our continent has always dazzled foreigners from Europe, America, India and China and we must preserve this land with our lives. African entrepreneurs must uncover new possibilities that will turn into mega million business operations that will create thousands of jobs as a roll-on effect. Let's act and think entrepreneurially, Africa.

Changing the entrepreneurial landscape of Africa needs to be in the hands of independent entities that are committed to vision of a prosperous Africa. Every effort must be made to make this the century of the African entrepreneur.

Entrepreneurs in the villages, rural towns, deserts and posh neighborhoods should work around the clock to strengthen the fibre of the African people. Africa must regain its glory as the Mecca of science and technology. What a wonderful world it promises to be where Africa can lead with distinction and excellence.

References:

Okri, Ben, 1999: Turn on your light

Ki-moon, Ban, 2008: 2008 UN Report, United Nations

Titus, Prof Danny, 2009: Corruption as the Deliberate Disdain to Sustainable Development in Africa

Chang, Ha-Joon, 2008: New Agenda Third Quarter

Hamel, Gary, 2002: Leading the Revolution

Tozzi, John, 2008: December BusinessWeek

SCATTERING ON ROCKY AND THORNY GROUND: THE INSTITUTIONAL, SOCIO-CULTURAL AND ECONOMIC FACTORS HINDERING RURAL EMPOWERMENT THROUGH SMMEs

By - Blessing J. Karumbidza

Cooperatives and SMMEs have the potential to be an important driver towards rural economic growth, but can they uplift communities from the dungeon and damnation of absolute poverty?

Absolute poverty and inequality: The political and economic basis for SMME failure

Local and national governments' political and economic interest as well as investment in cooperatives as a means of alleviating poverty is like the biblical proverb of the farmer who scatters seed, of which, some fell on hard rocky ground and sandy thorny veld. This paper argues that when properly designed, supported with well calculated and adequately pitched institutional regimes and in a different socio-cultural and economic environment, cooperatives can be a basis for economic advancement. However, in the context of the existing abject rural poverty and mass inequality, cooperatives have a limited potential for improving the lives of the poor. A study of the economic history of cooperatives and their origins in 19th century Europe shows that post-colonial, post-apartheid South Africa's attempt to use cooperatives as a means of accumulation of capital in peripheral capitalism is problematic. Cooperatives work when cooperators bring together resources and use the institution of cooperation to bulk buy, bulk transport and bulk sell. In the context of rural poverty, cooperators are bulk borrowers who bring to the table bulk misery and this cannot be a recipe for improving people's lives. Experiences in KwaZulu-Natal where the provincial government has placed

cooperatives at the centre of its economic empowerment drive for marginal areas, have demonstrated beyond doubt that it would take more than a once-off token financial grant to reverse the circle and trap of poverty many communities find themselves in.

There is a background to this that should be contextualised. The colonial-apartheid legacy of rural-urban divide left the rural areas poorer and women in an even more unenviable position. The infrastructure and service gap that characterises the rural-urban undermines the massive government investment in the rural areas under various initiatives (for instance, in rural housing, electrification and water supply as well as the Integrated Sustainable Rural Development Programme). Reading this difference, former president Thabo Mbeki characterised the South African economy as two distinct economies; one 'modern', the other 'third world' (Cousins 2007:220). In this characterisation, 'modern' means urban, industrial, financial and professional-based, whereas 'third-world' suggests rural, subsistence farming, collection of social grants, and remittances (Cousins 2007). The rural economy is characterised more by structural poverty which complicates the transformation and management of South Africa's economy. A survey of Umkhanyakude District Municipality, one of the less urbanised and industrialised regions of the country which forms part of the so-called poverty nodes, shows how difficult the cooperative development model is. Rural communities are often poverty stricken, more so than urban communities (Marcus, Eales and Wildschut 1996). In fact, more than 70% of all poor people live in rural areas, and almost 50% of these are "chronically poor" (Cousins 2007:222). Without discretionary income, residents are unable to support one another's entrepreneurial efforts by purchasing goods and services. It is for this reason that it is rather mischievous to expect cooperative societies under abject poverty to assist their members out of chronic poverty. At one level, the expectation that grouping poor women or poor rural women, youth and men in a cooperative will automatically change their lot is not only naïve but criminal.



Blessing Karumbidza lectures in Economic History and Development Studies at the University of KwaZulu-Natal. He is a researcher with Jonoka Research and Development Solutions, a rural development consultancy and actively involved in rural development projects. He works with rural based primary cooperatives and NPOs in KwaZulu-Natal. He is an associate of the PEACE Foundation, an NPO promoting rural development projects.



Rural livelihoods are largely dependent on the labour of women. The majority of rural cooperatives are women operated and as such increase the burden on women's labour demands. The basis of the support for cooperatives in this survival sector is the logic that they create employment and provide locally needed goods. However, such logic presumes that in the rural areas labour is in abundance and this is not the fact. A survey of women cooperatives in the Umkhanyakude district established beyond doubt that cooperative activities further marginalise women. For economic activities to be liberating for rural women, they have to be labour saving and have the ability to increase the income in such a way that makes the 'normal' rural livelihood tasks replaceable. However in the current context, these activities instead increase the time women are working on the cooperative and they still come back home to face their daily chores waiting for them. Some of these issues are compounded by culture which holds rigid forms of gendered spaces in the household economy. In the words of Legesse (2006:52) "livelihood best expresses the idea that individuals and groups strive to make a living, attempt to meet their various consumption and economic necessities, cope with uncertainties, respond to new opportunities, and choose between different options." Instead of investing all their resources in one strategy, families often spread their resources across a variety of strategies which by and large depends on the labour of women. The experiences of women cooperators indicate that as long as their enterprises are at the survival level, such enterprises further fragment and tax their labour.

The high inequalities found in rural areas create huge distortions in terms of the impact of redistributive policies as well as the manner in which different regions as well as groups are affected by social policy. As such, the efforts of people in different regions, of different age groups, race groups and sexes are also differentiated in terms of how they contribute to the economy. Due to infrastructural deficiency, rural communities (especially women), could be considered to have a lower contribution to the economy, defined by Ben Turok (1999:27) as "the total mobilisation of material and human resources including the organization of people where they live and work to maximize their efforts in pushing the economic life of the country forward." The structural constraints to economic activity in rural areas limit economic activity to a survival level with the contribution to national GDP often going unnoticed and unrecorded (Andrews 2007; Cousins 2007; Marcus, Eales and Wildschut 1996). The activities such as subsistence farming, community gardening, livestock rearing, candle making, sewing, knitting, beadwork, tractor hire, baby-sitting, thatching, traditional healing, and brick making, among others, form the backbone of what could be considered a rural economy and are essential in creating a subsidy base for the urban economy. It is in these activities that most of the rural cooperatives are concentrated and justifiably located. Those that break out of this economy participate in the national economy as cheap migrant labour.

From the study of a number of food gardens, poultry projects as well as curio cooperatives oriented towards the tourism sector, it can be concluded that cooperatives and other forms of SMMEs can only be useful rural diversification strategies if they are pitched at a sufficient level to guarantee high incomes. Higher incomes from an enterprise would allow cooperators to hire labour other than their own and be able to sufficiently remunerate themselves so as to forego some of their daily chores. For example, a successful enterprise would allow the cooperator who has little children to take care of to either engage a child minder or take the children to a crèche. This releases the pressure from the cooperator to have to do both jobs. Some women cooperatives engage the service of much older ladies whose role is to look after little children. But such cooperatives would have to be able to remunerate these baby minding cooperators. As suggested by Frank Ellis (1999: 2), rural livelihood diversification implies "the process by which households construct a diverse portfolio of activities and social support capabilities for

survival in order to improve their standard of living". In a household, family members will participate in numerous asset-building activities, as well as build their social support networks. Most importantly, families that engage in multiple livelihood strategies are usually less vulnerable, as the strategies they employ are flexible, resilient, and stable (Ellis 1999:22). In diversifying a livelihood, rural communities do not drop and prioritise one strategy over another but tend to add a strategy on an otherwise previously existing strategy. It is my experience with cooperatives that these activities increase rather than alleviate the demand on women's labour.

Recent upsurges in food prices and the cost of living in urban areas have seen a new trend of a return to the rural areas and an increased interest in local food production. Theorists of agrarian change such as Henry Bernstein (2006) and Deborah Bryceson (2002) have pointed to a de-agrarianisation of the rural economy and the shift in the agrarian question from capital to labour under the onslaught of neoliberal globalisation. The decrease in agricultural activity can be explained in terms of dwindling access to land, worsening climatic conditions and the deteriorating opportunity cost of participating in this sector in the context of an increasing globalising economy. According to Alastair McIntosh (1991:244) the drop in the predominance of agriculture can be explained by "low incomes, largely dispersed settlement patterns, and population immobility combine to limit market thresholds for local economic activities and to undermine the potential for competing with urban-based commercial enterprises, industry, or white agriculture." The positive thing about the recent resurgence of the cooperative movement, which is emphasising and in some cases providing support for food gardens, poultry farming and other land based activities as a panacea to rural poverty, is the reviving of interest and participation in agriculture and local food production. Unfortunately, the support regime and level for agricultural cooperatives have remained very sub-standard and circumspect. One key character of these activities is their low incomes and support which fuel their failure to break into the commercial market. Without money to invest in inputs such as water, seeds, fertilizer and equipment, gardening does not produce adequate returns. Where excess vegetables are produced, remote rural cooperatives find it difficult to access the market.

The over-emphasis on cooperatives and agriculture as the be-all of rural development

Official thinking about development has resorted to the notion that doing rural development is about advancing cooperatives and encouraging agriculture. Obviously, there is nothing

wrong in assuming that co-ops and especially those in agriculture should be supported and they have the potential to lead to development. However, the expectations of the ability of this sector are exaggerated. Evidently, if rural development has to take place, there must be diversification of activities. These activities should be pitched and organised at a level sufficient to bring the participants out of poverty as well as with horizontal and vertical links with the urban market economy. Politically, the promotion of cooperatives as source of development can be seen as part of a poverty of development models/strategies by government (at national, provincial and local levels) masqueraded in such well sounding maxims of participatory development and self emancipation. Through the cooperative movement, government talks development without walking the talk. Within the context of a neo-liberal state system, government has taken the role of donor, giving money to institutions such as Ithala, IDC, NDA among others to pass on to cooperatives. These institutions have been largely unable to provide an economically and socially progressive service to the poor rural cooperators owing to lack of institutional and organisational strength among other things. Other key challenges include their poor understanding of the terrain of rural development, nepotism and corruption which render them ineffective. The poorly conceived programmes and lending regimes saw many communities thrown into the deep end of chronic indebtedness. In many instances, the funding is pitched at too low a level to meaningfully improve the lives of the poor.

What is also very apparent is the racial and class connotation to this. When poor black people come together to start a business it is a cooperative and when the rich and also whites form a business it is a corporation. The shift from all cooperatives being run under the National Department of Agriculture to placing them under the DTI was meant to address the problem created by the assumption and implication that cooperatives could only be located in the primary industry, especially agriculture. However, this only scratched the surface of the institutional challenges affecting cooperative development. The location of many cooperatives in agriculture should be understood in the context that land is considered the most available form of capital to the poor. However, this assumption fails to acknowledge the gendered nature of access to land and land rights in the rural communities. Culturally, there is also the assumption that African communities have historically worked together and therefore, cooperative societies become endemic to that culture. Examples of stokvels and other forms of cooperation such as Ulimo (the working together of people on a piece of land, gang labour mostly on the request of a local rich person



in exchange for a feast) are given. These successful forms of cooperation are based on very different arrangements from those applied in cooperatives. Stokvels bring together money earned from various enterprises. Ulimo could only be afforded by the rich or the rural ruling class. There was a class dimension, power relation as well as hierarchy. Cooperatives are operated on the wrongful basis of equal benefit for unequal input. There is a wrong assumption that people are able to put their best into a venture that would benefit them. This is one of the reasons why many cooperatives have failed. Some cooperators do not invest as much time and energy into the business of the cooperative. As such, cooperatives are affected by absenteeism, loafing and other vices that impede on progress.

Cooperatives based on bringing together poor people often lead to increased misery. Coming together is one thing, but thinking and operating in an entrepreneurial way is another. Not all poor people who can come together as cooperators are entrepreneurs and as such, without entrepreneurship, business cannot flourish. In the rural communities of KwaZul-Natal where the observations for this paper were made, cooperators come together mainly because of the promise of financial and market access. This contrasts greatly with the historic and classical cooperatives which emerged when early capitalism faced an employment crisis in Britain, France and Germany in the early 19th century. These economies were relatively homogenous when compared to developing economies. In the European context, co-ops represented bottom up evolution which allowed learning and were embedded in entrepreneurship and good business practice. However, in their recent application to

developing countries in the context of unequal dual economies under neo-liberal globalisation, co-ops have become largely top down initiatives of the state (lean state for that matter) with more political than economic drive.

In theory, women cooperatives provide the potential for development. One of the burning issues characterising South Africa today, is that of women empowerment and poverty alleviation through development and involvement in SMMEs. Politicians and development planners have emphasised the need to encourage women's involvement in the South African economy through the development of SMMEs. This has been argued to yield positivity in social, cultural and institutional revolution in which women can be enhanced. The calculation is that if women receive income through cooperatives, their social position and standing in the household would change. However, cooperatives have led to an increase on the labour burden of women. Without the land to pool, women have always found themselves beholden to the owners of the land on which they establish their enterprises.

While many government departments and funding institutions have been established to support cooperatives, there are still many problems associated with the planning and assumptions on which the regimes are based. The support institutions are also located far away from the rural clientele who need the support. The language of cooperatives and the paperwork required still sideline the rural and the uneducated. As such, rural cooperatives have often had to engage the services of the so-called consultancies in order to get the needed paper work through and at a very high cost. One of the biggest dangers in the institutional framework for the support of SMMEs and cooperatives is the fact that government departments have reduced their role to funders and left development in the hands of cooperatives. To safeguard the funding and ensure results some departments have also micro-managed the project and therefore left the cooperators feeling that they are workers on a government project, yet they are not being paid a wage. This leads to low morale and immediate withdrawal and collapse of the project. Cooperatives cannot take over government responsibility of creating employment. A developmental state should create a partnership with the society, but such partnership cannot be reduced to the relegation of government duty to provide essential services.

That cooperatives can remove people from abject poverty is a myth. The amount of financial resources and training and other logistical support required to organise cooperatives for the poorest of the poor is beyond third world governments'

financial resources. The pooling of poverty and poor families cannot translate to wealth. Cooperatives work when cooperatives are pooling resources. In many instances in the rural communities, cooperators have nothing but their poverty. This creates a situation where the better off rip off the rest of cooperators. Political good will about cooperatives is not followed with action and coordination, and where there is support, it is pitched at too pitifully low a level to allow for meaningful transformation in beneficiaries' lives. It should be emphasised that the pooling of poverty, results in bundled and multiplied misery. The cooperative model is in the survival model yet the rest of the economy operates on a neo-liberal paradigm, market driven and in a dog-eat-dog world. This disconnect between the formal and the informal economy makes it difficult for cooperatives to break into the economic mainstream. The corporate and government departments (national and provincial) which are supposed to assist cooperatives operate at a completely different level which is usually inaccessible by the cooperative world, more especially those rural and women driven.

What is to be done if cooperatives have to bring meaningful change for rural communities?

It is generally agreed that sustainable development flows from empowering those living in developing communities. The cycle of poverty means that the poor are not able to rise above the systems in place and to take charge of their own lives. Facilitators of development should focus on the vast range of abilities of people and to find a way to allow these people to reach their potential, utilise these abilities, and create positive change in this world that so needs change. As Robert Chambers writes, "the challenge, as with all that is not right, is to analyze, reflect and act to make things better" (Chambers, 1997). People across the globe are assuming responsibility to address the problems in this world. Yet, this responsibility also requires a sensitivity, to acknowledge the consequences of action, and therefore to carefully consider any and all approaches to development. Unfortunately, facilitators of development have kept both eyes on their political survival and fortunes when dealing with the plight of the poor. This political determinism is at the heart of the weak institutional arrangements in place for rural development. Regimes are calculated on the basis of political viability rather than their economic rationality. Where cooperatives have been advanced as a political reaction to a development demand, the results have been that once the perceived political threats and objectives have succumbed, projects are left unattended.

In his work *The Anti-Politics Machine: Development, Depoliticisation, and Bureaucratic Power in Lesotho*, James

Ferguson (1994) critiques the concept of development and raises issues that require thoughtful analysis. He argues that development seeks to distract from the real source of problems; he believes that political forces are at the heart of the marginalisation of peoples and fighting against these forces must be the focus of the struggle for justice. In an article reviewing his book, R.L. Stirrat writes that "central about the discourse of the development industry [is] that it attempts to reduce poverty and powerlessness to technical problems rather than recognize them as the result of political forces" (Stirrat, 1993: 297). Ferguson analyses two projects occurring in Lesotho and sees their failures stemming from the inability to acknowledge the political realities within the country. For donors, viewing Lesotho as "a country of migrant laborers dependent on work in the South African mines, agriculture as little more than 'scratching around on the land', and to see Lesotho's problems as being in part the result of its integration into the regional Southern African economy" (Stirrat, 1993: 301) does not lend itself to any easy interventions. The structural factors buttressing rural poverty cannot be rid away by placing poor people in cooperative groups.

The problems of a nation must be considered within its own context and must allow for analysis of the political, economic, and social forces. Colin Murray, suggests that:

Poverty and hunger and unemployment are fundamentally political issues, but the routine discourses and practices of the 'development' machine render them apparently susceptible to technical solutions. The 'development' machine thereby depoliticizes these fundamental issues (Murray, 1994: 199).

By attempting to find solutions through non-political means, development (used in quotation marks by Ferguson "to underscore its historically constituted nature") (Escobar, 1991: 619) undermines and distracts from the needed political struggles. Ferguson is infuriated by the way "all social and political problems are translated into the apparently neutral terms of technical solutions" (Escobar, 1991: 619).

If the goal of development is to empower local people, it is therefore important that empowerment is de-politicised and defined. Robert Chambers (1997) writes of the danger of the misuse of the concept of empowerment, as "it can become a radical cloak hung around conservative ideas". One of the dangers with the overuse of a term is that it can lose its meaning and become a vehicle for self-interest, with many government departments, political players, NGOs and

development agencies claiming to support the “empowerment” of the people without having an idea of what this empowerment should look like. Robert Chambers writes that empowerment is a process “that entails enhanced capabilities and wider scope for choice and action” (Chambers, 1997). One can expand upon this definition, suggesting that:

To empower means to enable people to elicit and increase the power they have by joining hands. It is an act of skill and confidence-building, developing through cooperation, sharing and mutual learning (Louw & Schneck, 1995: 83).

According to this definition, empowerment entails a communal process, people joining together. For Robert Chambers (1997) such a process encompasses people working together, suggesting that “in its purest form, empowerment means the acquisition of power and the ability to give it effect. Such power is not an amorphous or undefinable entity. It manifests in a group of people working together” (Chambers, 1997). Chamber's statement that power is primarily demonstrated in a group of people suggests that empowerment requires a united struggle; it is facilitated by a community's involvement. Where communities come together to enhance their economic positions such power can be realised and positive results reaped. However, where such coming together is motivated by players from outside the community with performance targets and political objectives to achieve, such power has tended to work against the very same beneficiaries.

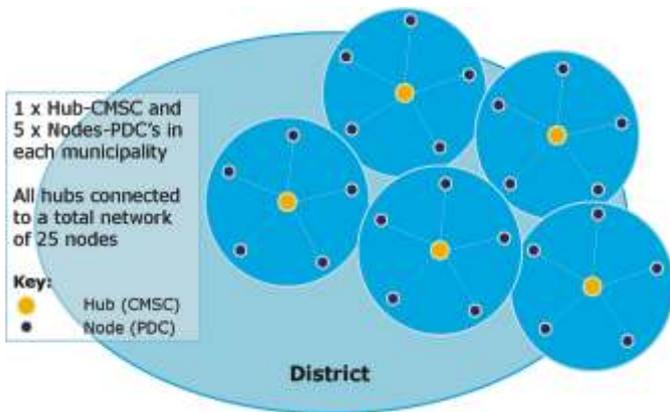
Empowerment should encompass a deliberate shift in the current power structure, recognising the structural conditions that keep the poor in their position and making a conscious effort to reverse this situation. Oftentimes government and NGO players attempt to tackle the problems of the poor by addressing the symptoms, setting up health clinics and feeding stations, and although a basic-needs approach can help, the underlying issue of powerlessness remains all too pervasive. To empower others is to find a way to ensure that people can take control of their own lives and eventually break out of the poverty trap. Chambers (1983) writes, “the struggle against poverty has to be a struggle for political and physical power” In order for development to be sustainable it must tackle the underlying problems of powerlessness and vulnerability. Chamber's statement addresses Ferguson's critique of development that development does not have to be depoliticised, it can be about addressing the most important needs of a community and attempting to alter the conditions that have led to their

problems. Development, if done properly, should enable people to take control of their lives and this control may lend itself to involvement in the political realm.

The needs of these communities are also much more than monetary; powerlessness must be addressed. Amartya Sen (2001) expounds upon this when he writes that development should be judged by “the expansion of substantive human freedoms not just economic growth, or technical progress, or social modernization”. These fields are useful as instruments in expanding freedoms rather than as the final goal of development. Economic growth can contribute to improving the lives of people, yet it is far from a solution. A shift is needed from a growth-centered approach to focus on the lives of individuals. Amartya Sen looks at increasing capabilities as the ultimate objective and participation serves to facilitate this process. The capability approach helps form “an intellectual foundation for human development and for including participation, human well-being and freedom as central features of development” (Duraiappah, et.al, 2005). Sen (1983) believes in an assets-based approach, looking at the potential within individuals and communities. Instead of looking at what communities need, this approach suggests looking at what already exists within a community, looking at the associations and organisations that already exist, the local economy, and physical resources, and figuring out how to utilise these assets in a development process.

The government should work hand in hand with various institutions and organisations such as the Association for Rural Advancement (AFRA), Programme for Land and Agrarian Studies (PLAAS), and many other land, rural and agriculture institutes at the cutting age of rural advancement to design and implement models for cooperative facilitation and development. The launch of the Dora Tamana Cooperative Centre in 2004 by the South African Communist Party (SACP) promised a breakthrough in converting the political and ideological support for cooperatives into practice. However, this initiative fell victim to bureaucratic meddling in the management and operation of the initiative, leading to an ugly still-birth. There is need for an initiative that places model cooperatives in districts for would be cooperators and facilitators to learn. The PEACE Development Centre (PDC) model of the PEACE Foundation (www.peacefoundation.org.za) which is being applied in KwaZulu-Natal, Mpumalanga and Limpopo seems to provide some of the things lacking in the current cooperative model. The PDC fulfils the role of providing a centrally located information, communication and economic node and resource within a rural community.

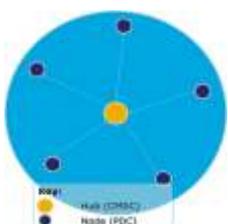
The PEACE Development Centre Model.



A single PEACE Development Centre provides a platform through which both local rural communities and private and public sector stakeholders can interface. The local community can access services and goods provided by external stakeholders. The PDCs provide a practical platform for Public/Private partnerships as they bring together local community representatives and development stakeholders such as Municipal representatives, Traditional Authorities Government (at all levels), tertiary institutions and the private sector. The PDC therefore ensures that service delivery is effective and, as far as possible, sustainable.

PDCs can operate in isolation, as stand-alone centres for a rural community, or may, ideally, be linked to other PDCs within a municipality through a Central Management Service Centre or Hub.

Linking local PDCs to a local municipal Hub opens a number of networking opportunities:



- The consolidation of local cooperative feeds into a secondary cooperative
- Logistical support for PDCs and local business
- Consolidation of marketing activities
- Central service nodes with part-time local service delivery options
- The consolidation of bulk buying through a central facility

These services are considered essential for the support of existing and proposed SMMEs, cooperatives and job creation initiatives in all sectors. Essential services and access to markets for the SMMEs are provided through the establishment of second tier cooperatives, or through a service provider located within the proposed Hub.

A working model for rural advancement should be one that increases the ability of people to choose their own destiny, to determine their path, and forge their own future. Amartya Sen (1999) states, "what is ultimately important is that people have the freedoms (capabilities) to lead the kind of lives they want to lead, to do what they want to do and be the person they want to be." Development should help facilitate this end goal of people living the lives that they choose and being able to be the person they wish to be.

The end goal of development should be about empowerment, about changing the power dynamics in place in society and enabling the marginalised to reverse the tides of oppression and break free of the structural violence. "Transforming efforts do not aim to bring relief to people in the poverty trap, but to free them from the trap so that they can gradually improve the situation themselves as free and self-reliant people" (Sen, 1999). As poverty intertwines with powerlessness, a deliberate shift must occur to enable those living in poverty to have their voices heard and their calls for change heeded. Thus, the participatory approach to development looks at participants as agents of change. According to (Duraiappah, et.al, 2005) "participation is seen as providing a means through which to enable meaningful involvement of the poor and voiceless in the development process." The complete participation of local people in their own development processes is vital to creating sustainable development that will empower individuals and spark a movement for change.

This movement for change will be a struggle. Development is not an easy process; constant critical analysis is necessary. The political, economic, and social forces underpinning the community must be considered when working towards development. As Robert Chambers (1999) writes, "The problem is much, much deeper than that of a sick patient or a blocked stream; and far more imagination, ingenuity and will are needed to overcome it." Simple technical solutions or a basic-needs approach only serve to depoliticise the issues of poverty and powerlessness. In order to adequately address these issues, the imagination and ingenuity required is most likely to be found amongst local people and the way to unleash this potential is by empowering people

Alongside political forces, macroeconomic forces influence rural communities. Many argue that economic growth of a nation is needed to improve the quality of life of its' citizens. However, economic growth should not be the ultimate goal for development; it should be viewed as the means rather than the end goal. Especially within the context of South Africa, viewing the nation with regards to purely economic growth suggests that South Africa is a middle-income nation. Yet, examining the income disparities within South Africa clearly demonstrates that economic growth does not equal an improved quality of life for all peoples. Thabo Mbeki (2003) acknowledges the "first world" and "third world" economies operating in parallel within South Africa and states that one can "not assume that the interventions we make with regard to the 'first world economy' are necessarily relevant to the former [the 'third world economy']." In the final analysis, cooperatives can bring people with existing but limited resources together and strengthen their market entry and participation. The approach that seems to suggest that co-ops can help communities out of absolute poverty is misleading, dangerous and irresponsible. Cooperatives in and of themselves are not tools designed to reduce poverty, but rather are a means by which people working together can improve their economic situation. Cooperatives that come into existence because certain individuals from the top are trying to extend political patronage tend to lack the ability to foster the social and economic cohesion that is central to achieving the goals and purposes of co-ops. Political control of co-ops is normally associated with micro-managing which sees the state moving away from the ideal role of providing an enabling environment and facilitating, to one of directing the day to day management of cooperatives. Lower levels of institutional support have the negative impact of creating disempowerment, while low financial inputs create dependence and indebtedness. The biggest loss not normally quantified is the loss in labour time invested in a cooperative venture that only serves survival needs or ends up in complete failure.

References:

Bernstein , Henry (2006) Is There an Agrarian Question in the 21st Century? *Canadian Journal of Development Studies*, 27 (4). pp. 449-460.

Brycenson, D. F. "Agrarian Vista or Vortex: African Rural Livelihoods Policies. *Review of African Political Economy*, Vol. 31, No. 102 (Dec, 2004) 617 - 629

Chambers, Robert. *Rural Development: Putting the Last First*. London: Pearson Education Limited, 1983.

Chambers, Robert. *Whose Reality Counts? Putting the First Last*. London: Intermediate Technology Publications, 1997.

Duraiappah, Anantha; Pumulo Roddy; Jo-Ellen Parry. "Have Participatory Approaches Increased Capabilities?" International Institute for Sustainable Development, 2005.

Escobar, Arturo. "Review: The Anti-Politics Machine: 'Development,' Depoliticisation, and Bureaucratic Power in Lesotho" *American Ethnologist* 18.3 (1991), 618-620 [Online] Available: <http://www.jstor.org/stable/645613> [May 5, 2008]

Ferguson, J. *Anti-Politics Machine: "Development", Depoliticisation and Bureaucratic Power in Lesotho*. Minnesota: Minnesota Press, 1994

Louw, H and CJ Schneck. "A People centered Perspective on People centered Community Development" *Journal of Social Development in Africa* (1995), 81-91

Murray, Colin. " Review: The Anti-Politics Machine: 'Development,' Depoliticisation, and Bureaucratic Power in Lesotho" *Man* 29.1 (1994), 199-200 [Online] Available: <http://www.jstor.org/stable/2803531> [May 5, 2008]

Sen, A. "Poor, Relatively Speaking" in *Oxford Economic Paper*, New Series. Vol 35, No. 2 (July, 1983) 153 169

Sen, A. *Development as Freedom*. Oxford: Oxford University Press, 1999

Stirrat, R.L. "Review: Developing Africa?" *African Affairs* 92.367 (1993), 294-300 [Online] Available: <http://www.jstor.org/stable/723503> [May 5, 2008]

Thabo Mbeki, "Letter from the President: Bold steps to end the two nations divide" *ANC Today*, August 26th 2003, www.anc.org.za/ancdocs/anctoday.html

GOING INTO BUSINESS IS NOT A BED OF ROSES

By - Robert Power

Introduction

It must be stated that going into a small business enterprise for the first time can be very stressful. Moving from being an employee to an employer is a big leap and becoming the boss is a different mind set. There are many pitfalls in business but getting it right gives great rewards. This article's aim is to set out many of the concerns of going into business, so that the reader can be more alert and know how to counter these pitfalls.

This paper is addressed primarily to small business owners, or perspective owners, which includes entrepreneurs, school leavers, retrenchees, retirees coming back to business and in fact anyone entering business for the first time, by way of start up or buying, and then building on that business.

It is noted that first time owners usually take the start up route, mainly because of the lack of finance, and then if successful later grow and expand.

I cannot over emphasize that too much jargon ("words or phrases used by professional people which the man in the street does not understand") can totally confuse a first time entrant to business. In addition signing documents which are not understood can lead to disaster.



Robert is a lawyer by profession and has many years of business experience in SA as legal adviser to certain major listed companies with specific emphasis on mergers and acquisitions. He operates through Power Corporate Consultants which was formed with the objective to pass on his many years of experience to those who wish to enter or expand their businesses, so that the failures which often take place can be substantially reduced. Specific assistance is given to train and coach persons in entering business and further assistance is then given to help them find and fund a business.

I have learnt from the hard school of experience and taken my knocks. I have been there and done it. If you don't know what you are doing you are doomed from the start. Also too much academic influence is put on the small business owner when practical input abiding by the rule "keep it simple" is the name of the game. Speaking from the real world (I will use this term a lot) is a better option. It has been stated that 80% of start ups fail in the first year and 60% in the first six months and that 70% of acquisitions fail. This begs the question, why? I will endeavour to answer this question.

Warren Buffet, the famous financier quotes wisely, "Going into business is akin to marriage", and his words of wisdom are, "Enjoy yourself and take your time and don't rush in where angels fear to tread." ("A Business Miscellany"-The Economist UK-2006) This is good advice for entering business.

At the end of the day you must fully understand the basic principles of entering a small business, the main one being "your income must exceed your expenditure". There are many theories and terms you will need to understand, but this is the most important, closely followed by "cash is king".

Unfortunately you may fail first time round. Learn from your mistakes and it will come right if you have the right mental attitude to achieve.

I was recently asked to give 15 points which would be "The sure way to wreck a business", which is very pertinent to this paper. My answers were as follows:

1. Starting on the wrong foot

A major factor in entering business is to understand what business is all about and an understanding of the product being sold or supplied. It is important to assess that you have the right mental approach and aptitude to enter business. In buying a small business the buyer invariably pays too much for the business and he struggles in going forward. A major concern in this regard is that the buyer must know that the valuation of a small business does not equal price. It must be noted that there is no standard method of valuing a business. A business is worth what the buyer is prepared to pay for it and the seller is prepared to sell at.



2. Not understanding basic principles

We are all familiar with the phrase “cash is king” and this concept is a major factor affecting small businesses. The term cash flow is perhaps more accurate. Without cash you cannot succeed. I was involved in a case where the owner said he had run out of cash but he had 2 cars which he could sell for a total of R300,000, which would clear his debt of R250,000. He could only realise R200,000 for both. He failed.

The second basic principle that needs to be understood is that information is power. This is critical when assessing such matters as who your competitors are and what new technology is coming onto the market.

Another common mistake new business owners make is not understanding that turnover is vanity. This means that it does not matter what your turnover (revenue) is, as long as it is more than your expenses and you then have a profit. Last year I was informed by a lady I met at a workshop that she had a turnover of R1m so she was now a successful entrepreneur. I asked her what her expenses were and she said R1m. She rang me this year and said her turnover this year was R1,5m and my question obviously was “What were your expenses”? Her answer was R800,000. I was proud of her.

If turnover is vanity then profit is sanity. Profit is needed to create new jobs, acquire new assets and develop new products or services, but above all else is needed to assure continuity of the business.

The last basic principle is that the spoken word is cheap. People have short memories. When going to meetings make notes of the matters discussed at the meeting and when you next meet get the other party to sign them off. You can save a fortune.

3. Not carrying out an in-depth due diligence investigation

I work on the premise that “the seller will tell the truth, the whole truth and anything but the truth”. He will say he has the best business in town. He must be asked why he is selling the goose that lays the golden egg. Many buyers have found that acquiring a business can be extremely risky. The seller may have held back information, or he may have found some way to “dress up” the business and thus hide a vital flaw in its make up. The buyer must dig deep, and find the flaws. It is important to know why the business is for sale. If the seller doesn't give a satisfactory answer, walk away. The buyer must know that what he is buying is what the seller says he is selling. The investigation can be frustrating, time consuming and expensive, but the buyer neglects it at his peril. It is no use being wise after the event.

4. Signing what is not understood

Let the signer beware. If the wording on any documents is not understood ask for an explanation. I am aware of a case where a seller signed a contract of sale of a business and the relevant warranty in the agreement said that he was liable for any damages for actions arising before the effective date. The purchase price was R2m and the damages arising from a claim which were consequential were for R800,000. In effect he only made R1.2m from the deal. The seller did not know that the word damages included consequential damages. He had not, to his detriment, taken legal advice.

In another example an employee who was retrenched with a R1 million payout wanted to buy a small business. He however could not find the right one and ended up going back into full time employment. He had however contracted lawyers and auditors with whom he had signed agreements, and had to pay them approximately R120,000 even though he did not buy any business. He had not fully understood what he had signed. The fact remains that you have to pay professional advisors' fees even if a deal is not concluded. As a rule of thumb combined professional advisors' fees are usually around 15% of the purchasing price.

5. Getting run over at the negotiating table

Good negotiating skills can make a lot of money. The reverse also applies. You can get bulldozed into accepting things you had no intention of conceding; you may not know that you even conceded them. It is always advisable to let the other party speak first, especially over price. One of the most important principles to remember is to stay in the match and not close the door.

Don't rely too much on the 11th commandment: "thou shall not be found out". It is important to never negotiate over the telephone and not to be put under time pressures.

Be a good listener, realistic and flexible, but don't over socialise with the opposition. He may out drink you. Always have a witness present; two is better than one. Remember that negotiating is a game of acting. Make sure that the other party is not a better actor than you are.

Expressing yourself clearly, recapping and having an agenda and keeping to it, as well as caucusing to discuss outstanding issues with your team and work out strategy are critical to your success in negotiation.

An interesting case I was party to involves when I was legal advisor to a listed company that was buying a business for R4 million. On the way to the boardroom, the business owner was heard to say that our CEO looked like a "bar room bouncer". The CEO was not at the negotiating table but had heard the remark. When we advised him at a caucus that we had got the price down to R3,4 million, he said without looking at any figures, that we could not go above R2,6 million. He would not budge and the owner eventually accepted. The lesson to learn is that senior executives can have big egos. One must thus be careful what you say when in another's office. It is not a good negotiating tactic. Rather keep your thoughts to yourself. This careless remark cost the owner R800,000. This incident took place about twenty years ago - what would it be worth now?

Take a tough line when necessary. Most people live by the mantra "never kick a man when he is down" - Winston Churchill said "That is the only time you kick him."

Remember that patience works and a final point of value is don't exaggerate.

6. Poor administration/financial knowledge

Costing products, preparing budgets and controlling spending are badly neglected areas in running a business. It is imperative that you have enough money to carry you for at least 6 months during the start up phase. You have to feed the kids and pay the school fees during this time as usual. Draw up a personal balance sheet and an estimated expense paper. Make sure you understand cash flow, the lifeline of the business representing outflow (payments) and inflow (collections). Also make sure that you have insurance and that it is the right cover for your needs.

Determine whether you have the money necessary to start the business. In this regard you should start with a business plan which you understand. Don't rely on a consultant but rather make sure you know your own plan. It is advisable to be very careful when signing a suretyship. It is preferable to borrow the money from family or friends. If you need financing shop around for the best financier available. If you are using pension money it is preferable to keep at least half for a rainy day. Make sure your repayments for loans are less than your profits, otherwise you run the risk of financial ruin. Be aware that paying interests on overdrafts reduces profit.

7. Poor customer relationship

Poor communications with customers such as not responding to phone calls or emails is crazy. One must understand that if there are no customers there is no business. It is not only important to find customers - you must keep them. One of the cornerstones of a successful business is a good reputation.

8. Lack of competitor knowledge/marketing

New business owners often think there is a niche market and then find there are many competitors. It is critical to always sell yourself. Advertising plays a very important role in any business.

9. Thinking that you can beat the Receiver of Revenue

You ignore letters from the Receiver of Revenue at your peril. This also applies to ignoring lawyer's letters. This item begs the question: It is the month end and there is only enough money to pay either the Receiver for VAT or the staff their salaries. Which one do you choose? The answer is generally paying the staff, otherwise you will lose them, but the law is now being broken. This is not an easy situation.

10. Paying creditors on time - slow in collecting from debtors

A major problem in small businesses is collecting debts especially against bigger businesses. You must take a tough stance. When buying a business don't take debtors outstanding as an asset. Leave them with the seller.

11. Not understanding people

Stay in a good relationship with your bank manager and creditors, even if you don't mean it. Employees can make or break a business. Watch the service agreement and restraints of trade elements of their relationship with you. Be aware of things such as whether they are moonlighting (having another job) or stealing (unfortunately theft by staff is very high, as is sexual harassment).



Have they signed employment contracts? If there are unions, get advice and know how to deal with them. They are not going to go away.

Many businesses make use of consultants. In this case always make sure that the consultancy is a legal entity. Employers often prefer consultants because they only have to pay when they are used i.e. no pensions or medical aid. Consultants however do make mistakes some of which include bad presentations and paper work, overcharging for services (claiming 5 hours for 3 hours work-which is fraud) and proposals which are too long and badly drafted. Ensure that the consultancy agreement is understood. It is better not to pretend you are an expert. If you are not you will be found out.

12. Being penny wise and pound foolish

It cannot be discounted that in business professional advice will from time to time be needed, be it law, finance, human resources or insurance (an area which is often neglected by the small business owner). My advice to small business owners when utilising the services of advisers is to get the commitment in writing. Negotiate fees upfront and ascertain exactly what you are to get for your money and when will delivery take place. Ensure that they have the capacity to fulfill your requirements. It cannot be stressed enough that the adviser works for you not you for them. You are paying the bills.

13. Not keeping the family informed - family businesses

It is foolhardy not to keep your family fully involved in your business. If you are struggling so are they. Going into business with your spouse is not an easy choice - there have been success stories but also many failures. When one

marries you plan for divorce through an ANC (ante nuptial contract). Likewise on entering into business, have a plan to exit if the business is not working. Be careful in entering a family business unless you marry the son or daughter. You also need to ask yourself the question: can you fire your wife or granny? Remember that at some time you will need a shoulder to cry on and in this regard your family should be your support system.

14. Bad habits

The following bad habits must be avoided, including many mentioned elsewhere in this paper:

- Using the company credit card for personal matters.
- Using the company car for personal use.
- Poor time management.
- Not watching health (drinking, smoking and gambling).
- Poor preparation of proposals.
- Procrastination (defined in the Oxford dictionary as indecisive, delaying, dithering, dragging your feet, putting things off). We all do it but it is not the way to run a business.
- Neglecting marketing and advertising when having a cash flow problem.
- Not controlling stress.
- Poor communication e.g. not answering calls.

Perhaps the worse bad habit is to commit all or any of these bad habits and then expand the business by growth or acquisition and instead of learning your lesson, still continue with the bad habits.

15. Legal compliance

Fit into the right legal box. Small businesses are usually sole proprietors, partnerships, close corporations or private companies. Start small and build up. The legal agreements are critical. Get advice, especially for leases, shareholder's agreements and restraints.

The first question to consider when going into business is do you start up or buy a business? In both scenarios you will find similarities such as you are the boss, you are at risk and you must understand the business.

Some of the points in favour of start ups include that they are cheaper to start, the company begins with a clean sheet, you are able to recruit employees who you want, there is less finance required for a start up business and you can start even if it is initially only part time while you minimise your involvement elsewhere.

The points against start ups include that fact that a new business has no market share, a start up takes time to get going, you often have to do all the work yourself, there is no guaranteed income e.g. what happens when you are sick? and the business has an unproven performance record.

Buying a business has some of the following benefits: In an established business the 'hiccups' have been ironed out. There is also immediate income from an established business. You can benefit from the previous owner's knowledge and inherit trained and experienced employees. An established business has an established market and customer base and the business is already making profits and has necessary infrastructure for operation in place.

Some points against buying a business include possible non disclosure of "skeletons in the cupboard" i.e. undisclosed negative issues you were not aware of when buying it. The business's products could be outdated and you may be paying a premium for the business. There could be competitive saturation in the market. It is possible that financing is not available, the business could possibly not be in a good location and the assets could be in poor condition.

Many people are cautious and choose to take the middle road i.e. buy a franchise.

There are numerous reasons why businesses fail. Some of these reasons are related to financial issues such as no financial/cash control, poor inventory control, unnecessary expenses, onerous leasing terms, not understanding balance sheet/income statement issues and lack of credit control. Failure can also happen as a result of business reasons such as not understanding the business entered, not being able to convert from being an employee to an employer, insufficient capital, not taking the competition into consideration, being under insured, lack of legal/financial knowledge, under selling of products or services, poor debt collection, incorrect costing of products, poor customer/delivery service, procrastination and poor communication. Another potential cause of failure is legal issues such as signing documents not understood and incorrect legal structure. Personal issues such as lack of courage, not being thick skinned, poor management control, not restraining exiting staff, inability to work with partners, egos, loss of key employees, family problems and inability to handle stress also play a role in whether a business is ultimately successful or not.

It is important to ensure that the business being acquired has no legal cases pending against it. Walk away before costly litigation. It is also foolhardy to buy a business with only a few client contracts. If they are lost there is no business left. Taxation issues such as VAT and PAYE must not be neglected. The golden rule is that there is no such thing as a gentleman's agreement - get everything in writing. It is alright to overpay for good acquisitions, but unacceptable to overpay for bad acquisitions.

Factors necessary to ensure a successful business include having adequate capital, obtaining the necessary business knowledge, having sufficient resources, being able to manage success and how to take it forward, being a strong competitive position and keeping to your business plan.

Getting rich quickly is not as easy as it sounds. As a business owner the buck does stop with you. There is no guaranteed monthly cheque so it is advisable to keep your overheads low.

Don't enter business if the reasons include looking for job security, not wanting to work for someone else, you have received an inheritance, you want to become an immediate millionaire, you worked for a big corporation so now know everything about running a small business and not understanding that the money in the business belongs to the business not the owner.

Business is not a bed of roses. It has set backs, but it is left to you to turn these obstacles into advantages. Every stumbling block you encounter in entering business is a stepping stone to success. To repeat - is the product known and understood by you? I leave all the legal work to lawyers and all the finances to the auditors. Assess your strengths and weaknesses and make an honest inventory of yourself with your goal of entering business. If the seller really wants to sell, perhaps you should not buy. Don't snatch at a bargain as buying cheap can result in problems. You must be in love with the profit not the product.

I wish that I had done it right from the beginning

Following the recent credit squeeze the pitfalls affecting small business owners have been difficult. I was appraised of a situation where the owner was close to liquidation and I was asked to advise him what to do. The scenario panned out as follows:

.
He could not pay his lease - but we got an extension. Over 50% of his salary bill was for family members, although they were

not contributing to the business. It was agreed that they would be removed, creating family problems, but other staff members could now be paid. His wife even threatened divorce. He had to cancel a planned expensive holiday which the business was paying for - another bad habit. He had been ignoring customers hoping their problems would go away, which they didn't. He approached each one personally and was given time concessions. He made a deal with time extensions for creditors but was ruthless in collecting from debtors.

The good news is that because of the above tactics he has turned around the business, his family members have become involved in other activities and he and his wife have taken a holiday-which he is paying for. Most importantly - his income was exceeding expenditure.

Security today is our protection tomorrow

Recent events and surveys have highlighted that crime is a major concern for small businesses and not wishing to be an alarmist, I would be erring in my responsibility as a writer if I did not stress this issue. The following factors are to be noted:

- Crime is the biggest worry for small businesses, especially in retail-transport (garages), corner cafes and home businesses, and increases in recent years have been high.
- Burglaries and robberies are most prominent.
- The really bad news is that many (because they cannot afford to do so) have limited or no security systems and do not have insurance cover. The only reported crimes are those where there is insurance cover.
- The negative psychological impact of exposure to crime is very relevant. Trauma and stress cannot be measured.

But what do we do about it?

I recently was involved in a case where one of the owner's staff had stolen money and the owner wished to prosecute. However the member of staff stated that if the theft was reported to the police then he would advise the Receiver of Revenue that the owner had evaded VAT for the past year - no case. You must go into court with clean hands.

Bearing all the above facts in mind, having your own business can give you great rewards, but you must recognise and deal with the risks. Get it right from the beginning and you will succeed. You will be better off than being an employee, but there are no giveaways.

To close I would like to quote some case studies which encompass what I have said in this paper and should give encouragement to the reader.

The Real World

A lady had been retrenched as head of the human resources department of a major company. She said that she would now make a fortune consulting in human resources. I advised her that there were hundreds of consultants in that field and she would not make any real money for 6 months. She said that she would surprise me. Her first five important clients during the 6 month period acted as follows:

- Client 1- "Good job, here is my cheque" It bounced.
- Client 2- "Well done. Give me your bank details and the money will be in your account tomorrow". She is still waiting.
- Client 3- "I don't deal in invoices. Tear it up. You want R20,000, I will give you R15, 000." She took it, knowing that it was wrong, but who would not have taken the money?
- Client 4- "Not happy with your work. I am not paying, sue me." In such a case the legal fees, win or lose could be greater than the amount owing.
- Client 5- "Your work is very good, your presentation skills were excellent. We will put you on a retainer" This was in the sixth month.

She now has 5 staff members and is doing very well. We can all learn from this case.

Leaving the bank and going it alone

A successful entrepreneur summed up the picture of going it alone as follows: He realised that he had to go from a company BMW to a small car and even worse he had to pay for it. He was amazed that he got far more work done because he did not have to attend numerous meetings which often were a waste of time. He knew that he was not really the boss, because the bank controlled him whilst he owed them money. The client was always right. Perks were gone. He had to pay his own insurance and pension and he had not appreciated that he must have enough money available to feed the family for at least 6 months. He could not go on leave and had to work late at night and over weekends. Staff came with problems so he used consultants, only having to pay them when he needed them. Legal and financial issues were not his strength and running a business had far more twists and turns than he realised. Getting sick was not an option. so he had to keep fit. After attending some workshops on business training he

found that the lecturers had often not even been in business and were very academic so he learnt very little. Debtors were slow in paying and creditors were like wolves. Partners would be taken in at the right time but he would not give up control. He was happy to split the risk eventually. At the right time he would sell and so from day one he kept a clean ship and paid his tax. Having a passion for his business was paramount. Administration was a weakness but he had a good accounting officer. He had done his homework, knew his product and was building up a niche market.

The facts above were when he started his business 3 years ago. Recently I met him. His profits have increased threefold and his greatest achievement was buying a new BMW for his own account. He gives weekends to his family and is planning an overseas trip for the family which he would pay for personally. He has retained 51% of the business and sold the other 49% for a good price which he has invested for a rainy day. He took the same stance against debtors as creditors took on him. He takes out a reasonable salary each month and he is training his son to come into the business. He had read up on legal/financial issues

Having the freedom to make your own decisions and controlling your destiny must be the goal.

I have for many years been in the hard school of business, and one learns from experience and my advice to new entrants in business is as follows: From the lessons I have learnt being honest with yourself and transparent with others are among the foremost. You must also not be afraid speak your mind and when dealing with people, be firm but fair. Whenever you agree anything put it in writing and get the other party to sign it off. It is critical to make sure your administration is in order and try your utmost to evade the bad habits set out in this article.

In my experience I have found that people will often tell you the truth the whole truth and anything but the truth. I was once involved in negotiating with another party. I was not happy with his attitude and before taking the matter any further, I checked his business letterhead. The company registration number was false, the BEE players named as directors had not been appointed, so in fact were not directors, and the address did not exist. Do your homework and check out the other party carefully.

Following my insistence on 'getting it in writing' I was involved in arbitration a few years ago over the definition and

the value of "Stock in Transit". Without going into too much detail, at the end of one of the meetings we had clearly set out in writing what the definition meant and the value involved. The other side had forgotten about this piece of paper. We saved our business R2m.

An extremely embarrassing position I got into many years ago was where my accounting officer had forgotten to deliver my VAT return to the Receiver of Revenue. I had to go to court, apologised and got a stern warning from the magistrate. I won't say what happened to the accounting officer. The lesson learnt was that you are ultimately responsible so you must be on the ball at all times.

Finally, I have learnt from experience that cash may be king, but clients, customers etc. are vital. Without them there is no business. Look after them.

Going into business may not be a bed of roses, but I found after much trial and error that if you get it right, albeit after a few mistakes, and even your business failing, the rewards are there if you are willing to work at it. At the end of the day you must fully realise that money coming in must be more than money going out.

References

THE ECONOMIST. "A Business Miscellany". 2006. UK

CRAFT AS AN ECONOMIC ENTERPRISE: STRATEGIES FOR ALTERNATIVE LIVELIHOODS IN KWAZULU NATAL

By - Ashling McCarthy & Khulile Mavundla

Abstract

This paper seeks to explore the role of the craft industry in the province of KwaZulu Natal as a poverty alleviation strategy, most especially (but not exclusively) for rural women. Two separate case studies, consisting of 11 craft groups in total, reveal some of the commonalities experienced by craft groups engaged in the production of craft in order to generate income. The authors were involved with these groups as researchers, product developers, and facilitators, as well as working with crafters to view craft as a business enterprise, rather than as a hobby. Themes emerging from the research emphasise the need for external interventions, such as development programmes, in order to create a viable craft industry that reaches a global market. Some of the obstacles crafters face include illiteracy, innumeracy and poor infrastructure and the authors assert that external intervention is crucial in enabling crafters to access markets and clients. The positive impact of craft in the lives of crafters is evident when lifestyle changes begin to take place, such as being able to afford 'luxury' items, as well as bigger purchases such as solar panels.



Ashling McCarthy is a medical and cultural anthropologist with a passion for social research in the field of HIV/AIDS as well as in the development of craft as a poverty alleviation strategy. Ashling's background in graphic design and her time spent in the field working in craft development has allowed her to merge creativity with a sound academic style when conducting research. Ashling is currently completing her Masters degree at UKZN in Medical Anthropology in the field of HIV/AIDS and also works in the department of Anthropology as a lecturer and splits her time between consulting and teaching.



Khulile Mavundla is a dynamic and talented trainer and facilitator who has worked in a wide range of development and natural resource management contexts. Her teaching background has assisted her in supporting the establishment of a number of successful natural products SMMEs in rural KwaZulu-Natal. She is now expanding her area of specialisation into motivational training and sustainable development decision-making skills enhancement.

Background

Dr Zweli Mkhize (MEC of the Department of Economic Development KZN) stated in his 2005 speech on "Empowering Rural KZN through the Development of the Craft Sector", that South Africa has about 40 000 people engaging in the craft sector, which contributes around R2 billion annually (DED & SEDA, 2007:23) to the South African economy. In 2002 alone craft in the province of KwaZulu Natal is said to have generated approximately R1 billion (Hay, 2008:5). This sector is therefore highly significant and is certainly growing as it incorporates not only the rural crafter on the roadside but also trained artists who sell their product both locally and internationally (Elk, 2004:1).

The craft industry sector is one which government departments, such as Economic Development and Arts, Culture and Tourism, have identified as playing a crucial role in the poverty alleviation strategies which should see job creation and income generation grow throughout the country. Government's financial input into the craft industry in South Africa is reviewed in Gaylard's (2004) article which discusses the craft industry in South Africa over the then ten year period since democracy. The 1996 White Paper for Arts, Culture and Heritage, made known the potential of the craft industry to become a poverty alleviation strategy because it provides both jobs and income to communities and individuals. The National Treasury's Poverty Alleviation programme provided approximately R64 million in funding over a period of 3 years (2001-2003). The creation of policy and the financial boost into the craft sector reveals government's willingness to take craft development as a poverty alleviation strategy seriously.

In KZN, one of South Africa's poorest regions, given the high percentage of rural dwellers, craft is becoming an important sector which local government is focusing on in terms of growth and development. KZN is also South Africa's worst hit region in terms of HIV/AIDS (Avert). Many non-government organisations, not-for-profit organisations and community and faith based organisations include craft activities as a means of income generation in areas suffering from an HIV/AIDS epidemic, for example projects such as Woza Moya initiated by the Hillcrest AIDS Centre and the Fancy Stitch Group of Ingwavuma. The sale of craft often helps families to pay the cost of transport to and from hospital, as well as food and medication needed for sick individuals.

This paper looks at the craft industry in the province of KwaZulu Natal, South Africa and is based on the experiences

of both authors who have worked in the craft industry as product developers working at a grass roots level, as well as working as consultants to government departments investing in the craft industry of the province. When we talk of craft, in the context of this paper, we are referring to the producers of hand-made products made from natural (grasses) and manufactured (beads, telephone wire) materials. This paper does not attempt to discuss other forms of craft, such as high-end or factory-based mass production of goods (Hay, 2008:7) nor does it seek to make definitive statements around craft as a poverty alleviation strategy, but rather aims to afford the reader a glimpse into how craft has helped certain individuals and groups gain the financial opportunities which may not have been possible without the activity of craft. For many women and men in KZN, the skill of creating craft has been passed down from generation to generation, initially to create functional objects with traditional uses, but which are now made to sell to tourists and those interested in craft as décor items. Due to the often scarce job opportunities in rural areas, craft is an option for most individuals as natural resources grow in abundance and there are many experienced crafters who can pass on the knowledge and technique of crafting to others.

Craft in KwaZulu Natal, South Africa

According to the South African Institute of Race Relations (2008) the unemployment rate in KwaZulu Natal is at approximately 30%. Unlike other provinces which saw a decline in the unemployment rate during 2007, KZN continues to see an increase in this area. Reasons cited could be the extremely rural environment in which many people live, as well as KZN being the worst hit area of the HIV/AIDS epidemic in South Africa (Avert).

Craft in South Africa, and in particular in KZN, is more often than not created by women (DEDKZN & SEDA, 2007; Mkhize, 2005; Hay, 2008:2), and to some extent men, who live in rural or poverty stricken areas (although not limited to rural areas) where there is little, if any, formal employment. Craft is used as a means to provide a little extra income for families and can usually be seen for sale on the side of the road of major tourist routes, for example the N2 from Durban up to Mozambique.

Those involved in crafting (informally or formally through programmes) are generally disadvantaged black South Africans, many of whom would have lived a large percentage of their lives under apartheid rule and have had access to only

a limited education. Consequently, many are illiterate and therefore are unable to read or write at a proficient level (Hay, 2008:2; Mkhize, 2005). This is important to bear in mind when discussing the role crafters play in the value chain as many argue against the expectation of crafters handling all aspects of the craft process, from production to retail (Elk, 2004:10). However, illiteracy is a major obstacle that many of these crafters will not overcome unless major intervention takes place, or younger people, with better literacy and communication skills become involved in the craft industry.

Ethics

For ethical reasons, the names of locations, craft groups and institutions will not be disclosed in this paper in order to protect the identity of both individuals and communities.

Methodology

This paper is a result of qualitative research which, according to Creswell (1998:170), as cited in de Vos, Strydom, Fouche and Delport (2005:350), cannot be regarded as the same form of methodology as quantitative research. It is a flexible method which relies on imagery, words, quotes and descriptions (de Vos et al, 2005:351). The methodology used to collect detailed qualitative data for this study included jot notes and detailed notes, participant observation (Bernard, 1994), semi-structured and informal interviews and conversation analysis (Schiffrin, 1989). This form of qualitative research is described by Spradley (1979) as ethnographic research and it enables the researcher in "understanding how other people see their experience." (1979: 4). This requires the researcher to experience the life of research participants as much as possible. All of these methods were utilised as they enabled the researcher to document as many spheres of the crafters lives through both interaction and observation. Anthropologists utilise the method of participant observation during research because it allows the researcher the opportunity to listen, observe and participate in the community/society being studied (Bernard, 1994). Conversational analysis, as expressed by Schiffrin (1989), is a 'subfield of discourse analysis that considers spoken dialogue'. This method was utilised to a degree but not relied upon due to the language barrier and the reliance on a translator for one of the authors. While crafters expressed similar sentiments when discussing certain topics, only generalisations could be made on the topic rather than certainties.

Research Setting: Case Study 1

The focus of this research paper took place in an area of Northern Zululand in KwaZulu Natal, South Africa. There were five craft groups with which the author was actively involved as a product developer and trainer, as well as an ethnographer, documenting the process in which the groups were participating. The year and a half spent in the field enabled the author to better understand the dynamics of both the group and the area in which they lived and worked. All 5 groups live in reasonably close proximity and are therefore all living in what can be considered very rural environments. Job opportunities are scarce as there is little or no industry (beyond the hairdresser, food shops and the occasional mechanic, normally found in small towns or communities).

The groups were part of a government-run programme which conducted workshops on various levels of craft production. Workshops included product development, quality control, accessing markets, and liaising with clients. The government organisation was operating in a nearby area of northern KwaZulu Natal and was actively involved in working towards making craft part of an effective strategy in poverty alleviation and income generation in the Zululand region.

The groups were made up predominantly of women and very few men. Most had limited education and had little spoken English abilities, these two being a commonality amongst many rural craft groups. The language spoken by all groups was isiZulu. All 5 groups worked with natural resources grown in the area and only had to buy materials if they were not indigenous to the region. All of the crafters, bar one, lived in traditional style housing of either wattle and daub construction or the rondavel style home. Many of the homes did not have electricity, running water or inside toilets.

Research Setting: Case Study 2

Case study two involves a number of groups in mainly rural locations. Six of the groups reside in rural areas on the north coast of KwaZulu Natal, while one other group works in the city of Durban and can therefore be considered urban in nature. The author continues to work with some of these groups as a source of information and assistance; particularly keeping groups up to date about market possibilities and exhibitions they might like to exhibit their work at. She is also at present working with more recently established groups while contributing to this paper as she documents the development of small craft groups into more capable business enterprises. The author works as a facilitator and developer training crafters on product development, business management, marketing and forming businesses partnerships.

The groups in rural areas use natural materials, such as grasses, wood and clay, while the group in Durban utilises manufactured materials such as telephone wire and beads. The author has been working with some of these groups for approximately 3 years and still has a relationship with those that are no longer part of an intervention programme.

Both authors worked independently of each other on the projects which form the case studies for this paper.

This research is site and group specific and does not attempt to imply that all craft groups will experience craft development in the same way. The case studies do however offer us an understanding of some common experiences, successes and problems of craft groups which are attempting to turn a 'hobby' or pastime into a business. Due to the nature of qualitative studies research, the research (and now author) is part of the setting in that she experiences, asks questions, listens, and is part of the field. Therefore research is often imbued with the researchers own perspective and this cannot go unnoticed (de Vos et al, 2005:353).

Themes emerging from the research

In order to analyse the data collected, which would allow themes to emerge, a manual qualitative system (matrix) was created which incorporated the information recorded through note taking, participant observation and interviews. As themes began to emerge they were included into the matrix to determine commonalities. From all groups which the authors interacted with, the following themes emerged. These themes gave us a better understanding into the working dynamics of the groups and why some groups were more successful than others in terms of turning craft into a viable income generation strategy. They also reflect the commonalities that can be found in many groups across the province, as stated by authors such as Hay (2008) and Elk (2004).

Most groups were initially led by an individual; the process being frequently spearheaded by a woman, more often than not an older woman as a respected member of the community. However, while a respected community member, it was not uncommon to find a chairwoman with no writing or reading skills. Once interventions had taken place there appeared to be a shift of leadership in some of the groups. The woman with the best communication skills, written and verbal, seemed to come to the fore as her skills in this department were essential in liaising with potential clients, distributors, etc. If the elderly woman remained in her position of leadership, jobs were delegated to those with particular skills that she did not possess. The shift in power, so to speak, sometimes led to the implosion of a group. Craft e

can be rather political, in rural areas particularly, and this power struggle often led to groups becoming defunct or splintering. This fragmentation of crafters had a negative effect on the ability of crafters to produce craft for order as they no longer had the human capacity to create large orders. This point is of crucial importance to the development of the craft industry as a whole. In the past, the groups the authors worked with tended towards autonomy from others. While this was of no consequence to the groups when craft demand and production remained low, it became problematic when contact with clients led to a demand for large orders. Those groups who used the same materials and techniques and came together to complete orders succeeded. Those which decided to remain autonomous and not engage with other groups, invariably lost the order because they had to turn it down, or produced what they could but didn't complete the order. The inception of a KZN Craft Cluster as proposed by the Department of Economic Development (DEDKZN, 2008) hopes to see crafters become more competitive, competent and successful by joining forces, rather than remaining in a state of fragmentation. By pooling skills, techniques and resources, craft groups have more of a chance to secure large contracts, complete orders and earn significantly more than they have in the past.

Education levels varied among groups and group members. Many crafters had no formal schooling while others had up to grade 7. In rural areas, a lack of education was far more common among crafters than in urban groups. This has an effect on how crafters are able to adapt to interventions and the time it takes them to do so. Those from urban areas were more easily able to process interventions and implement change due to their exposure to schooling. As in any industry, the ability to calculate costs and understand the concept of pricing so that one makes a profit is incredibly important. Without these skills, crafters are often at the mercy of the middleman (those who get the product to the market) and can be susceptible to exploitation. This is not to say that all middlemen are exploitative and simply put, without the middleman; there would be little success within the craft industry in terms of exposing the market to hand crafted product (Hays, 2008:10-11). As expressed by Elk (2004: 10) and Hay (2008:10) crafters cannot be expected to fulfil all roles in the business of craft. Crafters who are better educated and have a firmer grasp of maths skills are the obvious choice when deciding who will be involved in certain non-craft related aspects of the business within the group.

As mentioned above, rural craft enterprises are especially characterised by illiteracy, innumeracy and poor infrastructure (Hay, 2008:2) in contrast to their urban counterparts. Crafters in extremely rural areas have to work

harder to transform their small craft enterprises into viable income generation businesses. Challenges for these groups come in the form of access to resources (both materials and outside interventions), access to transport and the market in which they hope to sell their product. Materials most often used are natural as they are free and readily available (although over-harvesting of materials can have a negative effect on craft production). The market for craft products is generally tourist driven and crafters rely on their own cultural heritage to determine the types of products they make. What is distinctly lacking in most of these groups is the ability to design and develop products that are market related. Organisations like Africa Ignite (operating in Durban) have made it their mandate to reach these groups in order to provide them with the assistance they need in order to enable craft to become an income generation and poverty alleviation strategy. With rural groups such as these, outside intervention is required. Without it, it is unlikely that these crafters will ever see the change they desire. Education is one of the key areas which will lead to the growth of the craft industry in both the province of KZN and South Africa as a whole. The groups with which the authors worked were, and are, receiving the same kind of intervention that Africa Ignite provides to craft groups around the province.

Accessing markets is an important aspect in the growth of the craft industry. Crafters are not likely to create long lasting financial benefits from craft production if they don't access larger markets and clients who order in bulk. The groups in case study one, through the assistance of the programme they belonged to, were able to access a relationship with a large chain store's Home department. Receiving a large order is an excellent way to overcome the lean months when craft is not in demand except for small orders from the usual clientele. Before the accessing of markets took place, groups were trained on quality control and the importance of fulfilling an order to the specifications of a potential client. Many groups fail in this regard because they have not grasped the concept of deadlines and time frames which are integral to any business operation. When the relationship between the craft groups and the home store was initiated, crafters learnt the hard way when orders were not fulfilled. The store did not take half completed orders and crafters were left with what they had made. They very quickly began to understand that the contractual agreement made between themselves and their client had to be adhered to. After their rocky start, crafters began to see the benefits of grouping together in order to successfully supply large orders, as their income increased significantly.

Many small craft industries fail to sustain themselves for very long, especially if they are left to their own devices quite soon after an intervention. Expecting crafters to build a business enterprise in a few months or even a couple of years is unfair. Most businesses take a number of years to grow and work through teething issues and finally come to a place where they are earning a profit (Elk, 2004:10). Outside interventions bring with them the capacity and skills to secure funding and create links with markets using technology which is often out of reach for the average crafter. If craft businesses are to succeed, interventions need to go beyond supplying the know-how and rather provide long term help until a project is truly able to stand on its own feet. For the groups in case study one, the intervention has been long running. What started out as a 5 year plan for 'independence' has turned into a relationship between the organisation and the crafters. While the programme has lessened its interventions to a degree, crafters are able to communicate with the organisation and ask for advice and help. The organisation has certainly not pulled out altogether, leaving crafters to fend for themselves.

One of the biggest challenges is keeping people motivated during the building stage of a business. To begin with crafters are exposed to hours of training and workshops where they are not making any money. Time which would have been spent making craft to sell to craft markets for tourists is now being spent on learning and understanding the craft industry, how it functions and how they need to change in order to be successfully part of it. The building of a business is a long term project which requires both responsibility and commitment from crafters. Securing seed capital to start up a business is another challenge faced by craft groups. For those craft groups who live in rural areas, accessing information which pertains to loans for business development is often hard to come by. Once again, education levels and literacy skills are a vital component of running a business. There are in fact a number of organisations which help crafters to access funds and resources so that they can start small businesses. Once an organisation has been identified by the crafter or indeed the crafter or craft group has been approached by the organisation, there are however criteria which must be met. Through personal correspondence with such an organisation, craft groups need to be registered with SARS and be black-owned cooperatives. This means that if crafters secure a loan, money is given directly to the cooperative rather than being handled by organisations that run intervention programmes and handle the administration and finance for crafters. While this has its merits, and certainly benefits those craft groups that are already developed and in operation, it also means that much money is wasted through the inexperience of certain craft groups (Hay, 2008:9-10).

Through the programmes and interventions that both authors were and are involved in, it is clear that they play an integral role in the development of craft as a poverty alleviation and income generation strategy. Without the expertise of designers and developers and the capital given to run such programmes, the inherent skill crafters would not be impacting the market as it is today. Another benefit of craft interventions is that crafters are exposed to the idea of a global market. If crafters consistently produce product that reflects merely a local flavour, it is unlikely to sell as well as products which have taken into account global trends. Colours, shape and size are all important aspects to consider when selling to global markets. Those designers and developers employed to produce product lines based on global trends are an asset to both crafters and the craft industry, simply because they make the product more marketable. They expand the possibility of sales by creating product with a global appeal (DEDKZN & SEDA, 2007:21).

It is unlikely that crafters, lacking in the specialised qualifications that designers and developers possess, will ever be able to do without this input. Yearly interventions around new product lines, in order to keep product fresh and up to date, is a necessary part of the craft process. Once crafters are financially stable and are making a profit, they should be encouraged to collaborate with designers and developers and expand their product line.

Lifestyle changes

One of the best ways to monitor whether the production of craft on a larger scale has indeed had an impact on a crafter's economic situation is to look at lifestyle changes. The groups, from case study one, were able to make significant changes through income generated by their craft production. Those crafters who were faster when it came to making product and whose quality was excellent, sold more products and were therefore able to purchase more than some of their counterparts.

Some changes included the ability to afford what were considered 'luxury' items, such as coffee and bottles of coke, more frequently than they had previously been able to afford. Another example would be the ability to afford the taxi fare into town rather than having to walk the ten or more kilometres. For some, buying a car battery in order to charge cell phones and other electric items, such as small television sets, came from craft products which had been sold.

More meaningful purchases were solar panels and breeze blocks. Solar panels were especially sought after as they enabled the crafters, for the first time, to have electricity and to be able to work at night. For many crafters, the making of craft takes them away from other chores, such as tending to

vegetable gardens, fetching water and wood and other chores related to the household. Being able to work at night under electric light, rather than by candlelight, was a much welcome relief for crafters. Their school going children also benefited as they were able to do their school work at night, as they were expected to help with chores after school hours.

As mentioned, many of the crafters lived in very simple, traditionally built homes. After the first large order came in for one of the groups, the author noted the presence of breeze blocks slowly building up in a corner of a few homesteads as well as marked out floor plans in the dirt yards. As crafters earned money, some of it would be spent on purchasing these blocks which would eventually be used to build a more 'modern' Western style home.

For all of the groups, one of the most important changes was the crafter's ability to learn and acquire knowledge on topics previously unknown to them. Understanding where they can fit into a local as well as global market economy was of great value to them. Gaining insight into how their hand crafted products leave the area in which they live to be sold in upmarket tourist shops, large home décor stores, and even in stores in foreign countries, was motivation to produce better quality products. Crafters were (and are) exposed to a world that was previously unknown to them and their personal growth and their education is also of great importance.

Both authors, while working with the various craft groups, noticed the changes in lifestyle, whether small or significant. In areas where there really is very little chance of earning a decent wage, craft has enabled them to elevate their standard of living. The incentive to work faster yet still create quality products is created by the change in lifestyle in other crafters who are working hard and creating product that is being asked for and sold on a regular basis. Knowing that they too can also afford those luxury items that other crafters have been able to purchase is a wonderful motivating factor.

Recommendations and conclusions

Product diversification is one of the best ways to ensure that crafters are able to earn money from the making of craft products. This is very clear when one visits markets such as Zamimpilo on the north coast of KZN. The markets are filled with identical product which leads to little variation and fierce competition between crafters. Undercutting prices is a sure way to get product sold, but crafters have often not taken into account the money they paid for materials. Some crafters have sold product for less than what it cost them to make it. As in any industry, competition is good. However it needs to occur in a productive way. Product diversification is one way to increase competition as it creates choice. When there is a

small range of products which are created using the same materials and the same colours the consumer is left with little choice and is either going to go for the cheapest product or for the best quality.

It is also important to be mindful of the fact that competition does not only occur within the South African craft industry but also between South Africa and countries such as China and India (DEDKZN & SEDA, 2007:21). Personal experience has revealed that product made in South Africa is in fact now being produced in China at half the cost and is being sold back to tourists who visit South Africa.

All groups from the case studies were given newly developed product to make. While some groups shared the same type of material, the product was significantly different and therefore did not lead to such excessive competition. Crafters were given products ranging from ilala cushions to more contemporary versions of ilala woven bowls for home décor. Product was also developed for each group in case study two and the designers were mindful of ensuring that groups which used similar materials, even though geographically far apart, did not create identical product. Products included headboards, where crafters wove the ilala mats which would be inserted into wooden frames as well as lampshades, which went on to be sold at lodges and restaurants.

If craft production is to succeed as a serious strategy for poverty alleviation then craft groups should be given the correct skills, knowledge and resources from the beginning. Expecting crafters to understand the entire value chain and craft process on their own is unrealistic. Interventions and programmes as expressed in the case studies have proven to be successful in creating well managed and successful craft enterprises. Crafters need as much assistance as possible when forming craft enterprises and this assistance should not end when budgets run dry for programmes. There is a great need for crafters to understand their role in the value chain, as well as the role of others. The desire is to see crafters run small businesses which create both jobs and income for community members and this requires financial input. Research into the role of both government and non government organisations in the craft industry has shown an incredible increase in their support and capabilities (both financial and resource driven). The Department of Economic Development and the Department of Arts, Culture and Tourism are playing crucial roles in creating a craft industry strategy that takes into account the value chain and the needs of crafters in the province.



One of the most important challenges that emerged from the research was the fragmentation of small groups and their unwillingness to unite with other groups in times when large orders needed to be fulfilled. In order for the continued development of the craft industry in South Africa, craft needs to become more business minded. A craft cluster (DEDKZN, 2008), as mentioned earlier in this paper, is one way in which crafters can come together to create a more effective coalition. We discussed that small groups often fail to meet large orders due to their low production capacity, however if groups were to join forces in times such as these, crafters would benefit financially and secure further orders due to their professional behaviour. A craft cluster would also enable crafters to come together to share ideas, and discuss issues and challenges as well as successes.

The craft industry in South Africa is on its way to being a force to be reckoned with when considering ways to alleviate poverty in this country. Statistics, as given by the DEDKZN & SEDA (2007), Dr Zweli Mkhize (2005) and Erica Elk (2004), make it clear that craft production has indeed made an impact on the lives of many previously marginalised people, many of whom already possessed the ability to create craft. The experiences of the two authors can also testify to the positive changes made in the lives of the crafters and of their families. The input crafters in the case studies received from both government and other organisations has been crucial to the development of the industry. These stakeholders have provided much needed education and business management lessons that are necessary to create viable craft enterprises. While there are many challenges facing this industry, such as illiteracy and innumeracy among crafters (particularly older crafters), poor dissemination of information regarding the craft industry, fragmentation of craft groups and unhealthy competition leading to price undercutting, there are many positive results which helps to motivate and give credence to the further development of the industry.

References:

Avert, Stats for HIV/AIDS KZN, [online] Available at <http://www.avert.org/safricastats.htm> [accessed 14 February 2008]

Bernard, HR (1994), *Research Methods in Anthropology: Qualitative and Quantitative Approaches*, Chapter 7 'Participant Observation', Sage Publications. London

Department of Economic Development and SEDA (2007), *Arts and Craft Trade Directory* - See reference: DED & SEDA, 2007. Mavundla, K. and van Coller, J. (2008), *KZN Craft Cluster Business Plan*, for the Department of Economic Development KZN. See reference: DEDKZN, 2008.

de Vos, As. Strydom, H. Fouche, CB. and Delport, CSL (2005), *Research at Grass roots: for the social sciences and human service professions*, Third Edition, Van Schaik Publishers.

Elk, E (2004), *the South African Craft Sector*, HSRC [online] Available at: http://www.capecraftanddesign.org.za/newsletters/newsletter/2008/CCDI_newsletter_Dec08.pdf [accessed 25th January 2008]

Gaylard, G. (2004), *The Craft Industry in South Africa: a review of ten years of democracy*, African Arts [online] Available at: http://findarticles.com/p/articles/mi_m0438/is_/ai_n13775092 [accessed 20th January 2008]

Hay, D. (2008), *The Business of craft and crafting the business: strategies for success in the rural craft sector*. UKZN, Pietermaritzburg.

Institute of Race Relations (2008), *Unemployment still high across all provinces - 24th April 2008* [online] Available at <http://www.sairr.org.za/press-office/archive/unemployment-still-high-across-all-provinces-24th-april-2008.html/> [accessed 14 February 2008]

Mkhize, Z (MPP). (2005), "Empowering Rural KZN through the Development of the Craft Sector" [online] Available at [http://www.kznded.gov.za/Portals/0/docs/Speeches/Dr%20Zweli%20Mkhize/Craft%20Open%20Day%20\(29%20March%202005\).pdf](http://www.kznded.gov.za/Portals/0/docs/Speeches/Dr%20Zweli%20Mkhize/Craft%20Open%20Day%20(29%20March%202005).pdf) [accessed 25 January 2008]

Schiffrin, Deborah. "Conversation Analysis." *Linguistics: The Cambridge Survey: Language: The Socio-Cultural Context*, Vol. IV. Ed. F. J. Newmeyer. Cambridge: Cambridge UP, 1989. 251- 276

Spradley, J. (1979), *The Ethnographic Interview*, New York: Holt Rinehard & Winston.

SUPPORTING AND DEVELOPING SMMEs- A PUBLIC OR PRIVATE AFFAIR? A CRITICAL ANALYSIS OF PUBLIC AND PRIVATE SECTOR APPROACHES TO SMME DEVELOPMENT AND SUPPORT WITHIN THE ETHEKWINI MUNICIPALITY AREA.

By - Anneline Chetty

Abstract

SMMEs are considered to be the engines of growth of any economy. In the light of recent economic events and the recession that is surging rapidly across the globe, more and more attention is being focused on SMME development and support. Whilst there are a number of organisations (both public and private) who provide support to SMMEs within the eThekweni Municipality Area (EMA), the overall impact of these initiatives on SMME growth and development is minimal and there is a dearth of studies that critically examine business support services for SMMEs provided by the public and private sectors.

Objectives of this study assessed the capacity of both the private and public sectors to provide effective support and development to SMMEs. Quantitative surveys were conducted with 250 SMMEs who attended various fairs and conferences held across the EMA. Semi-structured interviews were conducted with representatives from the private and public sectors that provide support or services to the SMMEs in the EMA. In this regard, 53 representatives from the public sector and 50 from the private sector were interviewed. The analysis was undertaken thematically and, where relevant, findings pertaining to the different stakeholders interviewed were compared and discussed.



Anneline Chetty is a Senior Manager: Strategic Projects Business Support Unit at eThekweni Municipality. She is responsible for coordinating projects within the eThekweni Municipality, which promote entrepreneurship. She has a degree in Social Work and a Masters in Town and Regional Planning. She has a passion for SMME development and has completed her PH.D with the main focus on approaches to SMME development and support.

The researcher is confident that the objectives of this study have been achieved. Some of the key findings indicate that SMME respondents were more aware of local government and the services they provide than any other tier of government. Furthermore, SMME respondents within the study did not fully grasp the concept of Business Development Services (BDS) and the associated benefits for their business. Generally, SMMEs rely heavily on government to provide services free of charge. The main finding is that private sector service providers are better qualified, positioned and trained to provide BDS than the public sector whose main roles should be that of regulator, facilitator and promoter (DTI, 2003a). Whilst government has been a strong proponent of SMME development and support since 1994, this study presents a strong case for the increased role of the private sector. In addition, this study also motivates that local government through their Municipalities can play a significant role in SMME development and support in partnership with the private sector.

1. Introduction

Every successful entrepreneur, according to Ericksen (2004), is an inspirational case in point and illustrative of the spirit that turns successful visions into lucrative realities. Ericksen (2004: 1) believes that entrepreneurs are “absorbed in a process that economist Joseph Schumpeter describes as creative destruction, tearing down old ways to provide new responses to the needs and wants of the marketplace”. He further describes the chronicle of every successful entrepreneur to be a microcosm of the whole, with variants of an underlying theme: they have a vision; they believe in it completely and pursue it whole-heartedly. However, he argues that in spite of this all entrepreneurs reach a point when they recognise that they cannot do it by themselves and that they need help to turn their vision into a thriving business. It is at this point that they turn to either the private or public sectors for such assistance. It was therefore the aim of this study to critically analyse public and private sector approaches towards the provision of Business Development Services (BDS) to SMMEs within the EMA for the purposes of turning SMMEs into entrepreneurs who will become the lifeblood of the economy. This article will discuss the key findings from research conducted with the groupings of SMMEs as well as the public and the private sector officials/representatives.

2. Study Area

The eThekweni Municipality is the largest port and city on the east coast of Africa. It has a population of over 3 million people with a growth rate of 2.3%, and is South Africa's second largest city (EM, 2005: 9). The municipality is responsible for an area of over 2 297 square kilometres, including 98 kilometres of coastline. It is also Africa's premier port (EM, 2005: 9).

It is very evident that economic empowerment and growth has become a priority not only for South Africa but for the eThekweni Municipality. Economic empowerment also provides opportunities for greater and broader economic participation for the majority of unemployed and underemployed citizens (EM, 2002a). SMMEs represent a sustainable, important vehicle to address the challenges of job creation, economic growth and equity within the EMA. There are a number of organisations both public and private that exist within the EMA who provide services to support and develop SMMEs. At a local government level, the Business Support Unit was established in 2002 for the purpose of providing integrated business support services to SMMEs. An entity in the form of the eThekweni Business Development Centre (TBDC) now known as SEDA eThekweni which had been established by the Durban Metropolitan Council, has also been charged with the responsibility of providing support services to SMMEs. At a provincial level, the Department of Economic Development and Finance provides targeted support to SMMEs within the EMA. At a national level, services are offered to SMMEs within this area through the regional offices of the Department of Trade and Industry. There are also a host of private sector organisations which provide support services to SMMEs, for example, the Durban Chamber of Commerce through the SMME Desk. Banks and training providers also provide support services to SMMEs within the EMA.

Despite the fact that there is in existence an array of organisations which provide support to SMMEs, at the centre of the City's development challenge is the need to strengthen the economic base of the City. Whilst the per capita income of R19 943 per annum is higher than that of South Africa as a whole, it is far less than that of comparable middle income countries (EM, 2002a: 8). In fact, it has declined at a rate of 0.34% per annum between 1990 and 1999 resulting in declining standards of living (EM, 2002a: 8). The eThekweni economy is currently growing at a slow pace of 1.8% per annum compared to a healthy rate of 3% elsewhere. In addition, the City faces a severe and increasing unemployment situation with estimates placing unemployment levels between 30 and 40% of the population and since 1997 there has been a net loss of formal jobs of 1.5% per annum, that is, 40 000 jobs in total (EM, 2002a: 8).

In the light of the above discussion, and given that the last 14 years of government enterprise support in South Africa has been disappointing and unimpressive, with programmes not reaching their target groups, Rogerson (2006) argues that there is now a need to revolutionise the SMME support structure within South Africa. This entails looking for alternative models and practices that would help increase the global competitiveness of SMMEs, thereby making a significant contribution to the global economy. It is important firstly to assess current approaches to SMME support and development within the EMA and secondly, to look at the most appropriate and effective means of revolutionising the SMME sector in South Africa and within the eThekweni Municipality, in particular, into becoming significant contributors to the economy in terms of both job creation and economic growth, as well as global competitors in global markets.

3. Research Objective

This study was motivated by the existence of three problems associated with SMME development identified by the author:

- A lack of awareness and coordination of SMME support and development services.
- A lack of capacity within institutions to provide efficient services for SMMEs.
- Minimal impact of existing programmes targeting SMMEs.

The objective of this study was therefore to:

Critically examine the capacity of the public and private sectors to offer integrated SMME support and development within the EMA.

4. Research methodology

In order to accomplish the objectives of the thesis, the research methodology of the study comprised of a comprehensive approach made up of both secondary and primary research methods. Secondary data collection included the compilation and analysis of existing information from a wide range of sources including journal articles, books, research papers and internet articles. Secondary research was undertaken and comprised a desktop study of existing literature and research. The research collated though this method formed the basis of the literature review and conceptual framework. It is evident that a large body of knowledge exists on SMME research and development internationally. Literature on South African SMMEs was very limited and there are just a handful of authors who focus their research on this sector which included Berry et al (2001), Kesper (1998; 2000) and Rogerson (2004b; 2006). The collection and analysis of secondary data was necessary in the analysis to establish trends as well as to either confirm or refute the findings. The desktop review also included the

analysis of various government documents such as the National Small Business Strategy (1995) and the National Skills Development Strategy (1997).

In terms of primary research collection, the researcher used a multistage sampling method to select SMMEs for the study. The researcher targeted SMMEs who participated at the SMME fairs and conferences organised by the eThekweni Municipality. For SMMEs, from the list of participants of each event, the researcher used a systematic sampling method by identifying every *n*th SMME on the list and distributed questionnaires to them. The researcher decided to look at targeting at least 20% of SMMEs at each event and then identified how many respondents she would want from each event. For example, at the Inanda-Ntuzuma-KwaMashu (INK) Regional Fairs, there were 250 SMMEs participating. The researcher decided that she would like to obtain at least 20% of that number which was 50 respondents from this Fair. She then divided the total number of participants by the number of responses she required and the result was 5. She therefore administered questionnaires to every 5th SMME present at this fair. The same method was used for all events. While a total of 600 questionnaires were administered, 250 completed questionnaires were analysed for the purposes of deriving a complete understanding of the current approaches to SMME development and support within the EMA.

In terms of participants for the key informant interviews, the researcher used a purposive sampling method to identify a list of key informants from the various tiers of government. The researcher identified the respective Departments involved in SMME development from all 3 tiers of the government of South Africa: national, provincial and local. A total of 53 interviews were conducted with the public sector. In terms of the private sector, there are a number of existing databases of private sector service providers who offer support and development services to SMMEs within the EMA. The interviews were selected on the basis of the most senior person in the organisation who worked directly with SMMEs. At the end of the process the researcher managed to conduct 50 interviews with the private sector.

In this study, both qualitative and quantitative research methods were employed in the collection of relevant data, aiding in the provision of a comprehensive understanding of SMME development and support in South Africa. A qualitative approach is deemed to be the most appropriate method to be used when dealing with people's attitudes, perceptions and opinions and for the purposes of this study the researcher made use of semi-structured interviews to gather data from

the officials of both the public and private sectors, using unstructured questionnaires as the tool. In terms of a quantitative approach, the researcher made use of questionnaires as a tool to gather data from SMMEs.

As a result of the fact that data obtained through fieldwork is difficult to interpret in raw form, the statistical programme used for the analyses and presentation of data in this study specifically is the Statistical Package for the Social Sciences (SPSS). Arsham (2003) declares that SPSS for Windows is an effective statistical package for data analysis. Data is coded and captured into digital format from where it is interpreted and expressed either in tables or graphically. This facilitates the proper application of data to tackle problems and questions in research. The significance of incorporating critical thinking skills in the analysis of data gained through research is accentuated by Arsham (2003).

The use of the SPSS included the use of descriptive statistics. Descriptive statistics are used to describe populations. Frequencies describing responses from participants were obtained. This was the first study that examined systematically the views and concerns of SMMEs as well as private and public sector officials/representatives.

5. Results and Discussion

In investigating the capacity of the public and private sectors to provide integrated support to SMMEs, it was necessary to understand the levels of SMMEs' awareness of and use of support services offered by the private and public sectors as well as their experience of such services offered.

5.1. SMMEs

The findings reveal that nearly two-thirds (72%) of SMMEs surveyed have never accessed local government support for their business while only 24% of SMMEs had accessed local government support. Of those SMMEs who did access government services, only 16.6% thought the services were excellent while an overwhelming majority (68.4%) of SMMEs indicated that the level of service was average to poor.

Table 1: If respondent accessed support from local government

Accessed services	Frequency	Percentage
No response	10	4
Yes	60	24
No	180	72
Total	250	100

These results correlate closely with the findings of the study conducted by Bloch and Kesper (2000, cited in Rogerson, 2001b) where it surfaced that 57% of emerging SMMEs interviewed in Gauteng and 70% in the Western Cape had never had contact with or even heard of any government support institution.

The most critical areas of support identified are access to finance, business linkages, information dissemination and capacity building. These are also important areas of support that have been identified by the SMME Strategy proposed by the Business Support Unit (EM, 2007b). Some of the programmes identified in this strategy include having business sensitive regulations, conducting research on SMMEs, building infrastructure and business premises. In addition to the above, the strategy also includes an access to markets programme, business linkages and a franchise opportunity programme. Access to finance, creating a one-stop-shop, and developing incubators and hives are among the priorities of the Strategy. While the Strategy has synergy with what has been expected from local government, the greatest challenge that will be experienced is in the implementation of the Strategy. Inadequate resources and inexperienced staff are some of the reasons cited for the non-performance of public sector staff.

These findings correlate to the findings of Rogerson's (2004b) study which states that government programmes have failed to meet the needs of SMMEs, hence the need for a paradigm shift and to seek out more innovative solutions to address challenges faced by SMMEs. In addition, Berry, A.; von Blottnitz, M.; Cassim, R.; Kesper, A.; Rajaratnam, B. and van Seventer, D.E. (2002), indicate that more than 80% of the SMMEs in their study did not approach government institutions for assistance despite being aware of their programmes, and further found that the overall usage of SMME programmes is alarmingly low for SMMEs of all size classes. The data analysed indicates that only 6% of the micro-enterprises use SMME support programmes which points to the poor reach or inadequate response to the needs of emerging SMMEs. Berry et al (2002) argue that these findings support the general perception that SMME support programmes need to be marketed more effectively.

In addition to the above, Berry et al (2002) argue that the main reasons why government incentive schemes targeting SMMEs have not been used extensively are lack of information about their existence, red tape accompanying applications and discouragement by dismal experiences of other applicants. The Blueprint Strategy and Policy (PTY) LTD (2005) study highlights the fact that although little research

has been undertaken to specifically assess the effectiveness of new and restructured institutions providing support to South Africa's SMMEs, there are indications that the originally well-intended policy measures suffer from sub-optimal implementation. Furthermore, Terblanche (2002) argues that South Africa is not a friendly environment for small business since it appears that small business equals informal business which is not necessarily the case. Terblanche (2002) argues that it is this misconception that has cost the government millions of Rands in failed projects and programmes.

Miehlbradt and McVay (2003a) argue that there is an increased acknowledgement that public sector organisations have not proved to be effective providers of BDS to SMMEs; in particular, government organisations are viewed as insufficiently 'business-like' or 'close' to SMMEs in terms of their cultures, staffing or structures. In addition, Bear et al (2001) argues that subsidies for State provided business support have created a set of market distortions that hinder the development of private sector provision. This has in turn led to the private sector being undermined in relation to providing such services. The shift needed, according to Rogerson (2006), is towards an emphasis upon being business-like and demand-led at the institutional level and focusing intervention strategies toward facilitating transactions between SMME clients as opposed to beneficiaries. Rogerson (2006) argues that the core challenge is to develop low-cost service products and delivery mechanisms in order to match the needs and willingness to pay of the smallest clients.

The intention was further to investigate the role that SMMEs thought that the private sector should be playing in their support and development. The most significant roles for the private sector identified by respondents were facilitating access to finance (35.6%) and facilitating access to skills and markets (20.4%). As discussed previously, Lever (1997) believed that in many countries SMMEs receive almost all of their support services from the private sector. These include training, the supply of raw materials and equipment, access to information and marketing services, which are provided without any subsidy and are therefore self-sustaining. Lever (1997) is of the view that the expansion or reproduction of these services through private sector channels is very appealing in terms of reaching far more SMMEs than could be reached by overly subsidised, generic government programmes. South Africa has a distance to go before SMMEs can truly embrace the culture of making use of the private sector to provide BDS since South African SMMEs are too heavily dependent on government supported programmes.

The two key organisations from which SMMEs in the sample sourced business development services are the public and private sectors. The average number of respondents who accessed BDS from the public sector and private sectors is 17 (6.8%). The most popular service sourced from the public sector was management and business skills training (12%). The most popular services sourced from the private sector were advertising services (13.6%) and accounting services (14%). The average non-response rate to these questions is extremely high (82.4%). This is clearly indicative of the fact that the respondents were neither aware of the benefits of BDS nor made use of them. These results contrast with international studies (Bliss and Polutnik, 2001) which indicate high awareness levels of BDS. This meant that internationally efforts can be concentrated on improving the quality and value of BDS offerings as well as marketing skills of existing BDS providers rather than educating SME managers about the definitions of services. Here in South Africa, the various types of BDS as well as its benefits need to be marketed more effectively so that the awareness levels of SMMEs of BDS as well as their usage of BDS increases dramatically in order to promote growth in their business.

The results reveal that SMMEs in eThekweni view a very different role for the private sector as opposed to the role played by the different tiers of government. They believe that the private sector should be providing opportunities to conduct business and increase flexibility in accessing funds. In addition to this, skills development and market linkages should become the responsibility of the private sector. There appears to be a clear distinction about the understanding of the roles played by the various tiers of government. Respondents also appeared to have a far greater understanding of the role played by local government than the roles played by provincial and national government. This was evidenced by the levels of non-response to the question on the support accessed by these latter two tiers of government. Any action plan for the emergent SMME economy should seek to address the most important constraints that were identified by entrepreneurs upon their business operations and the associated support needs identified throughout the various phases of business development. An action plan should be framed within the context of an acknowledgement of the limitations of the various tiers of government as well as the international trend of a growing acceptance of the Market Development Approach (MDA) towards SMME development. The fact that local government is closer to the environment that SMMEs operate within places them in a far more advantageous position to offer support services to SMMEs than any other tier of government and cognisance should be taken of this before any action plan is developed.

5.2. Public and private sectors

These results were derived from the semi-structured interviews held with officials from the local, provincial and national tiers of government as well as private sector service providers. These chapters first looked at the target groups that were interviewed. It then investigated the organisational capacity of the different tiers of government. It looked at the training opportunities within the organisation to improve the capacity of individuals who are responsible for SMME development as well as the customer care service offered to SMMEs.

Table 2: Information on public sector respondents

Level	Local (n= 22)	Provincial (n=16)	National(n=15)	Total(n=53)
Position in Organisation				
Managerial	31.8% (7)	37.5% (6)	46.7% (7)	38% (20)
Technical	54.5% (12)	43.8% (7)	40% (6)	47% (25)
Supervisory	13.6% (3)	18.8% (3)	13.3% (2)	15% (8)
Level of education				
Matriculation	59.1% (13)	75% (12)	53.3% (8)	62% (33)
Degree/ Diploma	27.3% (6)	18.8% (3)	33.3% (5)	26% (14)
Postgraduate	13.6% (3)	6.3 (1)	13.3% (2)	12% (6)
Experience (average number of years)				
	11 years	12 years	7 years	10 years

From the findings it is evident that in the public sector, the majority of the respondents were within a managerial (38%) and technical (47%) capacity in their respective organisations, while in the private sector there were a higher percentage of respondents who occupied the technical level (50%) of the organisation than the managerial (36%) and the supervisory (14%) levels. An investigation into the qualifications of the officials who participated in this study indicated a very high level of tertiary education among the private sector respondents relevant to the area of expertise in which they were offering the service. In the public sector, however, while all of the officials interviewed had matriculated, only 26% of individuals had degrees with only 12% with postgraduate qualifications, while private sector respondents identified qualifications which included ICT related degrees, Bachelor of Administration, Bachelor of Commerce degrees, degrees in Marketing, and Education and Training diplomas. This implies that the majority of the public sector officials, while educated at some level (matriculation), do not necessarily have the expertise on providing developmental support to SMMEs.

Table 3: Information on private sector respondents (n=50)

Level	Frequency	Percentage
Occupational level		
Managerial	18	36%
Technical	25	50%
Supervisory	7	14%
Level of education		
Matriculation	10	20%
Degree/Diploma	25	50%
Postgraduate	15	30%
Experience (average number of years)	8 years	

The public and private sector officials were questioned on any relevant legislation that they were aware of which related to Small Business Development. The findings revealed that only 14% of public sector respondents were aware of relevant small business legislation while an overwhelming majority (86%) were not aware of relevant small business legislation. In contrast to this, 70% of private sector respondents indicated a higher level of awareness of small business legislation and were more aware of specific regulations than public sector respondents.

In terms of organisational capacity, respondents were questioned on whether their organisation had a vision or mission statement and found that 55% of the public sector respondents indicated that they did have one while 70% of the private sector respondents indicated that they did have a mission or vision statement. It is critical that everyone in the organisation is knowledgeable about their vision or mission statements since it is the foundation upon which their organisation is based and it drives their operations. The higher percentage of respondents who acknowledged a vision or mission statement within the private sector places them in a far more advantageous position than the public sector. According to Bowman (2005), successful organisations create a vision statement which provides a context for external stakeholders to share a common expectation of them and acts as one of the most powerful management tools as well as a powerful marketing message. This argument is supported by Parker and Kirkpatrick (2005) who believe that these are all ingredients of a strong organisation which is both effective and efficient. Both public and private sector respondents indicated that they did have structures in place to offer small business support and development. From a public sector perspective,

respondents from local government were able to clearly articulate that the appropriate structure that they had in place was the Business Support Unit of the eThekweni Municipality. This unit was identified as the organisational structure of their Department which is clearly linked to small business development. It was indicated that this Unit is subdivided into Operational as well as Policy and Strategy sections. The Policy and Strategy Department is responsible for developing policies and providing strategic support with the intention of advancing the support and development of small business development while the Operations Department is responsible for implementing these policies and providing daily support to SMMEs in the form of making referrals to other service providers and providing the necessary information to SMMEs.

The intention of the section on training was to determine the extent to which the respondents within the public and private sector were equipped to provide the relevant support and development to SMMEs. In both the public and private sectors the majority of the respondents (70% and 80%, respectively) agreed that they should be exposed to structured programmes to impart skills development and professionalism to those who are tasked with offering services to small businesses. In terms of training received, only 30% of the public sector respondents indicated that they received training while 60% of the respondents in the private sector indicated that they received training. In addition, only 30% of the respondents in the public sector indicated that they were involved in identifying their training needs while 75% of the private sector respondents indicated that they were involved in identifying their training needs. Similar results were obtained when questioned on training received in relation to changing legislation, where only 20% of the public sector respondents received training while 60% of the private sector respondents received training. Clearly the capacity of the public sector is not being developed adequately (especially when compared to training levels in the private sector) as evidenced in the responses. Miehlabradt and McVay (2003b) emphasise the importance of building the capacity of the suppliers of SMME support services. They indicate that BDS can be effective only if the suppliers are sufficiently equipped to provide such services. Miehlabradt and McVay (2003b) argue that the provision of technical assistance to suppliers in order to address supply-side constraints is thus a valuable intervention.

In terms of customer care, the methods of customer in-take programmes that were in place to offer services, as well as after-care programmes were investigated to establish the extent to which the progress of SMMEs was being monitored

and evaluated. Findings from the public sector respondents reflected an ad hoc system of in-take (business perception surveys, assessment, interaction with clients and a needs analysis survey) as opposed to the private sector where a coordinated, systematic approach to client in-take was identified. A significant proportion of respondents from the private sector obtained clients through individual assessments and computer analysis following individual investigation. Tanburn et al (2000) are in agreement with such methods and indicate that when conducting initial assessments with clients it is important to consider what services SMMEs are aware of, currently want and are willing to pay for, and what might be successfully marketed to them in the future. Freedman (2005) argues that organisations and firms could benefit from improvement in their client in-take procedures and motivates that the better these procedures are the more likely you are to have quality clients, get paid for your services, avoid conflicts and collect strategically valuable information. He believes that the preparatory point of any in-take procedure is a high quality in-take form and argues that sound business practices and payment expectations should be engaged and instituted at the very inception of the relationship and that quality clients will appreciate the thoroughness and consideration you show to the business and communication aspects of your practice.

In addition, the respondents were questioned about the extent to which they were able to respond to clients' needs to which an overwhelming majority (70%) of the respondents from the public sector did not believe that they were able to respond to their clients' needs while a significant proportion of respondents (65%) from the private sector indicated that they were able to respond to their clients' needs. The findings reveal that the private sector had several programmes in place to meet the needs of their clients. The most significant procedure in place is individual sessions with clients which respondents believed resulted in the most valuable information. This approach is supported by Steel and Webster (2001) who argue that this makes significant client impact which in turn induces changes in SMME performance (for example, higher sales, value added products and increased profitability) or broader social and economic impacts (employment growth and poverty alleviation). Other programmes in place include site visits in order to understand the products and services offered, project management, customer services orientation, mentorship programmes, business seminars as well as business to business networking. Respondents from the public sector found themselves making a number of referrals to other agencies and organisations such as Banks (65%), the Umsobomvu Youth Fund (55%), CIPRO (55%) and SEDA (40%).

After-care programmes as well as the monitoring and evaluation of SMMEs' performance and progress are considered to be an essential element in the customer care process. A significant majority (60%) of public sector respondents indicated that they did not have after-care programmes. In contrast to this, a significant majority (70%) of private sector respondents indicated that they did have after-care programmes. Examples of methods for conducting after-care were through site visits, mentorship programmes and "care 4 u" call centres which were designed to assist with client problems. According to Steel and Webster (2001), dependable performance measurement and monitoring provides a sound foundation for institutions to enhance the design of instruments in reply to client demand. These performance measurements also assist in supporting decisions by donors on types of actions needed to enhance the scope and quality of the market. In addition, Steel and Webster (2001) contend that for BDS providers, performance measurement is a management device that assists them to create marketing strategies, supervise customer satisfaction, answer to changes in demand, develop innovative and improved products, manage costs, and establish staff incentives.

In terms of challenges and suggestions for change, a significant portion of public sector respondents (62%) identified over-regulation as a problem. This correlates strongly with the problems identified by the private sector respondents who indicated that there was too much red tape by government and believed that over-regulation of the sector presented SMMEs with a number of constraints including time and money. A crucial factor to development was lowering the regulatory burdens on SMMEs thereby creating a more enabling environment within which to operate which is essentially about making markets work. Government must ensure that inappropriate legislation, regulations and administrative requirements do not prevent markets from operating effectively. This challenge was further augmented by the lack of understanding of legislation (50%). This finding correlates with the finding of the SBP (2005) which indicates that SMMEs have reportedly complained about the many hours spent filling in long and confusing government forms and waiting in queues to get official papers signed and stamped. The SBP (2005) argues that if the government focuses on reducing red tape costs that surface from complying with regulations, the government can release private sector resources for more productive uses and enhance its own administrative competency.

Many of the respondents (64%) identified a lack of capacity and an understanding of small business issues as a critical problem they experienced. While government often directed their focus at training SMMEs, insufficient attention was focused on the training of officials who offer support to SMMEs. Existing skills development initiatives for public sector officials who offer SMME support services need to be evaluated and benchmarked. This should involve all the relevant stakeholders that are engaged in this field and ensure that this area of expertise is fully understood and documented. A gap analysis needs to be performed and the identified gaps should be addressed in terms of skills intervention strategies. One of the most significant changes that respondents identified was the improved understanding and access to business development services (75%). According to Steel and Webster (2001), the search for a new model for BDS is based on the collective acknowledgment that traditional interventions have proved to be futile in providing quality, affordable BDS to a large segment of the target population of small enterprises. They believe that there is a general feeling that publicly-provided and publicly-funded services have not achieved their objectives hence the need for BDS.

From the above discussion, clearly the private sector appears to be far more efficient and effective than the public sector in their capacity to deliver services to SMMEs. This argument is supported by Maharaj (2003) who believes that current public debate on the competence and efficacy of SMME support dedicates too little attention to the actual or potential role of private sector institutions. He believes that aside from those bodies which have conventionally served the small business sector, that is, chambers, sector associations, conventional training bodies and NGOs active in the SMME support scene, specialised private sector service suppliers like accounting firms, marketing agencies, and legal consultants are of increasing importance. Maharaj (2003) argues that with the altering business environment of South Africa, demanding new services such as outsourcing and specialisation triggered by globalisation, private service providers will play a crucial role. These private service providers will be essential in strategic areas such as facilitation of market access, technology transfer and systematic provision of business information. Maharaj (2003) further argues that national bodies should assist these markets to expand (through accreditation of renowned business service providers) instead of hindering them through the provision of rather unstipulated subsidised services.

The Municipalities are in the best position to be able to provide services to SMMEs through the establishment of public-

private partnerships. It is therefore a key recommendation of this study that the national and provincial tiers of government who are responsible for providing services to SMMEs should redirect their resources both in terms of staffing and funding to Municipalities, who in turn should establish partnerships with the private sector which is in the best position to offer BDS to SMMEs. This recommendation is supported by Rogerson (2006) who purports that the private sector approach suggests that BDS are most effectively delivered to small enterprises by other small enterprises and should be on a transactional basis rather than subsidised through a variety of means, including vouchers.

5.3. Recommendations

It is clear that the issue of "one size fits all" for SMME development identified by Lever (1997) needs to change in South Africa. This argument is supported by Berry et al (2002), Rogerson (2004b; 2006) and Tanburn et al (2000) who identified government programmes as being too generic and in most cases not meeting the needs of SMMEs. Lever (1997) argues that we need to develop specific responses for specific needs and the SMME market needs to be clearly defined in terms of size, sector, business cycle and gender specific requirements, if applicable. Lever (1997) believes that business support organisations need to be more visible and need to market themselves more broadly.

Lack of coordination and duplication of services have been identified as key challenges in relation to providing SMME services and support. It is therefore the recommendation of this paper to establish a SMME Coalition Hub (SCH) similar to a one-stop-shop concept proposed by the Municipality and the SMME Alliance Park proposed by Sigma International (2006). The SCH should be set up by the Municipality through a public-private partnership. Public-private partnerships, according to Esek (2008), are regarded as the new economic paradigm for sustainable development today. Esek (2008) emphasises the need to recognise a mutual interdependence and that governments at all levels are challenged to keep pace with the demands of their constituencies. Esek (2008) argues that sometimes government revenues and capacity is not sufficient to meet the demands and local governments need to look beyond their traditional structures to increase their capacity to meet the changing needs and demands of the environments in which they operate.

The SCH should initially be subsidised but mechanisms need to be put into place to ensure long-term sustainability. This means that local government should obtain resources from the other two tiers of government and help to pay for the costs of setting up the SCH. When the Hub is operational,

government should slowly reduce the subsidy to the Hub until it can be sustained through the payment of services by SMMEs.

5. Conclusion

Wherever you go in the world entrepreneurs are seen as the drivers of the world economy. David and Kalalo (2004) argue that whether they are driven by a necessity or by a desire to seize business opportunities, entrepreneurs provide opportunities to millions of people. Ericksen (2004) asserts that perseverance is essential for the reason that entrepreneurship is not an event. He further argues that it is a learning process and that part of the process is the ability to fail, to learn from failure and to seek the next opportunity. Ericksen (2004) indicates that entrepreneurs not only benefit their families and their communities, but the SMME sector and the country's economy as well. Those who choose to walk the path of entrepreneurship need to know that they have the support of the most important stakeholders in the economy, the public and private sectors.

SMMEs without reservation play a fundamental role in the economic development of nations. Tecson (2004) argues that while they hold a lot of promise towards contributing meaningfully to the world economy, living up to this promise remains a challenge for SMMEs. However, it should be borne in mind that SMME development occurs in a very dynamic and globalising context (Tecson, 2004). Whether SMMEs continue to be important to the economy is largely dependent on the extent to which they are able to significantly contribute to keeping alive the vitality of the economy. Tecson (2004) believes that this would require that SMMEs push beyond the growth frontiers by achieving high levels of growth and productivity in their businesses through the various support mechanisms available to them. These mechanisms should ensure that such support services are both more accessible and more beneficial to their businesses. Both the private sectors and public sectors should step up their support mechanisms as suggested in this thesis. According to Tecson (2004), it is becoming apparently clear that SMMEs are finding themselves in a new and rapidly globalising context. Tecson (2004) argues that in order to take advantage of this trend instead of being engulfed by it, a brand new class of SMMEs must be fostered. For this, according to Tecson (2004: 82), "a world class support environment is needed!"

Achieving a world class support environment requires hard work and political commitment. The public sector operating within the EMA needs to recognise and acknowledge its limitations and seek out private institutions which have the

expertise to deliver on the recommendations outlined above. The setting up of a SCH should be based on the principles of inclusiveness and transparency and ensure that serving the needs of the SMMEs are at the top of the agenda. SMMEs are viewed as the engine of growth of any economy and ensuring that maximum support is given to them to thrive and succeed will have a positive overall impact on the economy and quality of life of society.

References:

- Bear, M.; Gibson, A. & Hitchins, R. (2001). A guide for agencies on the emerging market development approach to BDS; Micro-enterprise Best Practices - Technical Note 2. <http://www.seed.org>
- Bernard, N. and Renz, J. (1998). Efficient methods for qualitative spatial reasoning, in Proceedings of the 13th European Conference on Artificial Intelligence. <http://www.cs.washington.edu>
- Berry, A.; von Blottnitz, M.; Cassim, R.; Kesper, A.; Rajaratnam, B. and van Seventer, D.E. (2002). The economics of SMMEs in South Africa, Unpublished draft paper for Trade and Industrial Policy Secretariat, Johannesburg, www.tips.org.za
- Blueprint Strategy and Policy (Pty) Ltd. (2005). Support for SMEs in the South African Chemicals Sector, Unpublished report.
- Bliss, R.T. and Polutnik, L. (2001). SMEs' demand for Business Development Services in Bosnia and Herzegovina, Study prepared for Southeast Europe Enterprise Development (SEED). <http://www.seed.org>
- Bowman, S. (2005). The Conscious Evolution of organizations - Raising your organisations profile, <http://www.lifemastery.com.au>
- David, M.A. and Kalalo, M.A.C. (2004). Entrepreneurship degree programmes in the Philippines, SGV review, Entrepreneurship Issue 2004, Manila, Philippines.
- DTI. (2003a). Integrated Small Business Development Strategy: 2004-2014, Report prepared for Government of South Africa, RSA Publishers.

- Ericksen, G.K. (2004). What's luck got to do with it? *SGV Review, Entrepreneurship Issue 2004*, Manila, Philippines.
- Esek (2008). Public-private partnerships, Esek publication <http://www.esek.co.za>.
- eThekweni Municipality (EM) (2002a). Integrated Development Plan 2003 - 2007.
- eThekweni Municipality (EM) (2005). The Draft Economic Development Strategy (DEDS), unpublished document prepared by the Economic Development Unit.
- eThekweni Municipality (EM) (2007b). A Draft SMME Strategy for SMMEs within the EMA, report prepared for the Business Support Unit.
- Freedman, E (2005). Client intake best practices, Freedman Consulting Inc. <http://www.freedman.com>.
- Lever, A. (1997). The hidden strengths and potential, women's business associations - Organising for success, *Economic Reform Today* 2: 4-9.
- Maharaj, A. (2003). Sustainable private sector participation in water supply and sanitation? An investigation into South African experience with international comparative case studies, University of KwaZulu Natal, unpublished Ph.D. Thesis.
- Miehlbradt, A.O. and McVay, M. (2003a). Developing commercial markets for Business Development Services: BDS Primer for Fourth Annual BDS Seminar, Turin, Italy, Small Enterprise Development Programme of the International Labour Organisation, Geneva.
- Miehlbradt, A.O. and McVay, M. (2003b). Business Development Services: Testing the guiding principles: BDS Update for Fourth Annual BDS Seminar, Turin, Italy, Small Enterprise Development Programme of the International Labour Organisation, Geneva.
- Parker, D. and Kirkpatrick, C. (2005). Privatisation in developing countries: A review of the evidence and the policy lessons, *The Journal of Development Studies* 41 (4): 513-541.
- Rogerson, C.M., (2001b): Growing the SMME manufacturing economy of South Africa: evidence from Gauteng province, *Journal of Contemporary African Studies*, 19, 267-291.
- Rogerson, C.M. (2004b): The Impact of South African Government's SMME programmes: A ten year review (1994-2003), School of Geography, Archaeology and Environmental Studies, University of the Witwatersrand, Johannesburg.
- Rogerson, C.M. (2006). The market development approach to SMME development: Implications for Local Government in South Africa, School of Geography, Archaeology and Environmental Studies, University of the Witwatersrand, Johannesburg.
- Sigma International. (2006). Draft SMME Strategy for eThekweni Municipality, unpublished document prepared for Business Support Unit, eThekweni Municipality.
- Strategic Partnerships for Business Growth. (SBP) (2005). Counting the Costs of Red Tape for Business in South Africa The Bureau: Johannesburg.
- Steel, W.F and Webster, L.M. (2001). Business Development Services for Small Enterprises: Guiding principles for donor intervention, prepared for the Committee of Donor Agencies for Small Enterprise Development.
- Tanburn, J.; Trah, G. and Hallberg, K. (2000). Business Development Services for small enterprises, prepared on behalf of the BDS Working Group, 2000 Edition for the Committee of Donor Agencies for Small Enterprise Development, World Bank Group.
- Tecson, G.R. (2004). A Helping Hand - Support Environment for SMMEs, *SGV review, Entrepreneurship Issue 2004*, Manila, Philippines.
- Terblanche, B. (2002). A myth that's cost us millions, *Mail and Guardian* 28 June 2002.

BUSINESS INCUBATION - THE MASTER THREAD, THE BENEFITS OF BUSINESS INCUBATION IN STRENGTHENING SOUTH AFRICA'S BUSINESS DEVELOPMENT SERVICES SECTOR

By - Phindile Tshabangu

Abstract

The overall objectives of this study are to contribute to the body of knowledge that identifies programmatic interventions in the business development services (BDS) sector, critique the current crop of public sector backed BDS institutions, provide insight on the status of business incubation in South Africa, kick start a broader debate amongst BDS institutions and practitioners of the value of business incubation as a tool that enhances the delivery of SMME development programmes, and provide a framework within which BDS programmes can maximise the resource pool available to drive SMME development.

One of the major problems that besets BDS agencies in South Africa is their inability to complement one another in a manner that maximises the resources allocated towards them. In as much as this problem is not just limited to South Africa, as also argued by Erlewine and Gerl (2004:8), it is more imperative for us to address it given the low levels of entrepreneurial activity in relation to some of the competitive economies of the world as per successive research findings, (Herrington, M., Haas, G. 2007).

A wide range of literature was reviewed to achieve the stated objectives. The literature included annual reports of various SMME development agencies, legislation related to small business development, newspaper articles and publications that made references to the challenges facing BDS institutions.



Phindile Tshabangu is the Business Developer at InnovUS, the technology transfer company of the University of Stellenbosch. He is a Chemical Engineer by training and has obtained a postgraduate degree in Technology Management and is completing an MSc (Technology Management) degree with the University of Pretoria. Phindile has spent the past 6 years in strategic roles within the business incubation sector, having worked with two technology based business incubators in the ICT and agro-processing sectors (both supported by the Dept. of Trade and Industry's seda Technology Programme) He has also served in an executive capacity as Chairperson of the SA Business & Technology Incubation Association (SABTIA).

A business incubator survey was done, inviting all the contactable business incubators in South Africa, with a view of providing an informed view of the current state of the incubation industry and its relationship to the broader sphere of BDS institutions.

Amongst the key findings was the extent to which it became clear that the services provided by incubators mirrored those provided by some of the prominent BDS institutions, both nationally and at a provincial level. Secondly, virtually none of the respondents had any meaningful working relationship with BDS institutions which have a notable footprint. Notably, at least 45% of respondents indicated a working relation with a Sector Education Training Authority (SETA). Thirdly, all the respondents indicated an interest in pursuing some form of collaboration with other BDS institutions. Specific institutions were identified by respondents, indicating how well they identified with the various role players in the small business development sector.

In conclusion, a number of solutions to problem areas are presented. Key recommendations address the funding model for business incubation and the attraction of private sector financial resources towards SMME development. The latter point is also presented in the context of broad-based black economic empowerment (B-BBEE). And, two complementary models are proposed, i.e. collaborative partnerships model (figure B) and the joint resource pool model (figure C) as frameworks that should be explored to alleviate some of the challenges experienced by BDS institutions.

Introduction

A myriad of challenges facing South Africa's Small Micro Medium Enterprises (SMMEs) on a daily basis hamper their ability to grow into meaningful participants in the economy. Post 1994, the South African government for its part committed itself early in its tenure to the development of SMMEs as Mandela (1997:2) pointed out; "Whatever strategies we adopt and however many institutions we establish, success will depend on what happens at the local level: in rural villages, in the townships and in the business centers of our towns...where entrepreneurs develop their ideas and where we must build a solid base for a thriving economy."

Subsequently, a number of interventions were set up to provide an enabling environment for the development of SMME and entrepreneurship promotion. These interventions were geared towards stimulating a pipeline of aspirant entrepreneurs who would hopefully start businesses that would remain sustainable to the extent that they would create gainful employment and make a significant contribution to the fiscus.

Even beyond this recognition, an acknowledgement was made that the “lack of access” phenomenon i.e. lack of access to funding, skills, markets etc. remained a major sticking point. Mbeki (2002) went on to single out two critical hindrances that were of concern to government - firstly the inability of small businesses to run their businesses through the formal banking system and secondly their inability to acquire the requisite training they needed.

The following headings will be discussed to achieve the stated objectives; government's SMME targeted response, return on investment, report on progress, genesis of SA incubation, problem areas and possible solutions and proposed framework.

Government SMME targeted response

In dealing with the broader challenge facing small businesses the government of South Africa introduced significant policy interventions. Amongst the first of such interventions was the promulgation of the National Small Business Act (1996). This paved the way for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency; and to provide guidelines for organs of state in order to promote small business in the Republic.

Wide ranging amendments to the act in 2004 signalled for the first time that perhaps government's SMME development response was under strain. The major development was the provision for the birth of the Small Enterprise Development Agency (seda) with a key function of implementing the policy of the national government for small enterprise development.

In addition to national government's intervention, there have been other efforts at the different layers of government aimed at advancing entrepreneurship (these are run either parallel and/or in conjunction with seda). Prominent initiatives include:

- Provincial initiated agencies - examples are the Gauteng Province's Gauteng Enterprise Propeller (GEP) and the Western Cape's Real Enterprise Development Initiative (RED Door).

- The highly capitalised, youth focused Umsobomvu Fund (UYF), which has the task of promoting entrepreneurship, job creation, skills development and skills transfer among South Africa's youth (i.e. those between the ages of 18 and 35). The business consultancy service voucher programme, which was designed to offer young entrepreneurs access to business development services, is the key arsenal of UYF's BDS offering. The programme allows young entrepreneurs to buy business development services at a flat rate of R200 from service providers after they have been appropriately assessed. The cost of the voucher ranges from R700 to R18,000.
- Seda Technology Programme (STP) - a ring fenced programme of the Department of Trade and Industry (dti). STP was created as part of government's national strategy of consolidating and rationalising small enterprise support interventions across the different government departments and government agencies, within the overall objective of improving the delivery of small business support services to entrepreneurs and small enterprises.

From the above, the reader can readily deduce (albeit at a glance) that the response by government has been swift and comprehensive. As it will be shown below, it should also be noted at this stage that the shortage of monetary resources is by all accounts the very least of our challenges as far as addressing the development needs of South Africa's entrepreneurs and SMMEs. Secondly, my contention has always been and still remains that fragmented efforts in this sector remain the largest, most glaring problem.

Small business support initiatives identified have a suite of products and services which can be summed up in table 1 below;

Table 1: Small business support initiatives

	seda	UYF	GEP	Red Door
Business plan, marketing plan	✓	✓	✓	✓
Access to finance (facilitation)	✓	✓	✓	✓
Business skills training	✓	✓	✓	✓
Professional services, accountants and lawyers	✓	✓	✓	✓
Business information, e.g. government incentives, tenders, company registrations	✓	✓	✓	✓
Business finance		✓	✓	

Return on investment (ROI)

The question we would then need to ask ourselves in light of the level of investment in SMME development institutions is whether all these efforts translate into tangible results that can be measured objectively and reported to our major

shareholder (i.e. the taxpayer / electorate) that there is an appreciable return on investment (ROI)?

To try and measure a return on investment of the various programmes tends to be a bit tricky. For example, UYF boasted an allocation of just over R67 million in BDS related activities for the financial year 2007, through its Business Consultancy Services Voucher programme. GEP received a provincial grant to the tune of R80 million over the same period. GEP and UYF's average cost per intervention ratios were R13,705 and R7,100 respectively. The manner of reporting provides composite figures, which would still need to be broken down to determine what it cost each agency to deliver a specific service (for example a business plan). Such information would help to determine average costs per similar intervention as the overall averages tend to distort the actual detail. Scant information is forthcoming to objectively measure the success or lack thereof of the various interventions. What we readily see is the need for a uniform

impact assessment framework for the agencies so as to be able to identify inefficiencies across the board and where necessary replicate best practise.

Report on progress
The GEM report (2006)

In 2006, at least ten years after meaningful attempts were made by government to focus on SMME and entrepreneurship development, the Business Day went on to describe the picture of entrepreneurship in South Africa as "grim". This was in light of the release of the GEM report of 2005, which hinted that South Africa's overall entrepreneurship ranking dropped further from 20th position in 2004 to 25th (out of 35 countries) in 2005. The widely publicised Global Entrepreneurship Monitor (GEM) is a good reference point (not that it is without its flaws! But it does nonetheless serve as an attempt to assess progress). The report identified key areas that I believe would be useful for my input - refer to the table below:

Category	Recommendations from GEM 2006 South African Report
Government Policies	All government policies should be investigated in terms of: <ul style="list-style-type: none"> •their impact on business creation; •their regulatory burden on new start-ups; and •how they are communicated to specific stakeholders.
Government Programmes	Government programmes should be investigated in terms of: <ul style="list-style-type: none"> •how and what levels they are focusing on; •whether a whole and integrated range of programmes exists; and •whether service providers are sufficiently trained and educated to deliver their specific services.
Transfer of Research and Development	Not only should research explore ways that can support a true South African entrepreneurial renaissance but research should also find ways to disseminate information and experience to other stakeholders as quickly as possible. Therefore: <ul style="list-style-type: none"> •the transfer of research and development needs to be more focused on start-ups in the medium to high technology sectors; •contextualised incubator systems should be developed and implemented for South Africa; and •a database of higher order ideas should be developed and researched with the aim of commercialisation.
Access to Physical Infrastructure	Entrepreneurs need to utilise infrastructure effectively to serve their market effectively. Therefore: <ul style="list-style-type: none"> •clusters of infrastructure supporting start-up businesses should be created; •shortcomings of existing infrastructure should be identified; and •the necessity of more affordable infrastructure should be investigated.

Finscope Small Business Survey (2006)

The 2006 Finscope Small Business Survey (which was admittedly limited to only Gauteng small businesses) focused on the level of sophistication amongst our small businesses, particularly as it relates to how this impacts on them being successful. Of particular interest for this article, the survey explored the subject of small business support in appreciable detail, with the following findings (Finscope 2006:98);

- There is a clear skill shortage amongst small business owners (with a large proportion of business owners having taught themselves the skills they utilise in their business).
- Awareness of support initiatives overall is very low. Government support initiatives are being used by only 8% of small businesses, with Umsobomvu the market leader in providing business support.
- Current support initiatives are focused on generic training and business financing.

Furthermore the report noted that a few respondents who were aware of business support services claimed that they are not user friendly. When they have actively approached these organisations they have been “shunted from pillar to post”. The problem claimed by business owners is that most of the support organisations require a business plan. This was felt to be too overwhelming for most. Arming a small business owner with a business plan template is not helpful.

Government often argues that all these well intentioned interventions are meant to be addressing different needs of small businesses. However, lack of cross fertilisation (most prevalent in the small business support sector) renders the disparate interventions of government having a diluted impact. It has also proven to be near impossible for cooperation (and perhaps coexistence) between the various spheres of government (national, provincial and local). A notable example was observed between the programmes of the country's most economically prosperous provinces (i.e. Western Cape's RED Door and Gauteng's GEP) and their relationship or lack thereof with seda branches in their provinces. Until recently, it has been nearly impossible for seda branches to coexist with these institutions.

Genesis of South African incubation

In addition to the support agencies identified in table 1, a generation of business support agencies (i.e. business and technology incubators) have emerged which for the most part have not enjoyed the prominent coverage like their sister agencies.

Defining incubation

Firstly it may be necessary to briefly define business incubation and trace its origins in the local context as a pretext to locating it within the broader sphere of business development services agencies. Business and technology incubators nurture the development of entrepreneurial companies, helping them survive and grow during the start-up period, when they are most vulnerable. Most of these programmes provide their client companies with services which include shared office space, business planning services, mentorship, networking opportunities and to a limited extent seed capital. The support mechanisms are tailored to the unique needs of mostly (but not exclusively) technology based SMMEs.

Although in developed economies like the United States the business incubation model traces its beginnings to the late 1950s, in most of the developing world (South Africa included) the concept is relatively in its infancy, barely 10 years old to be exact.

The European Union (EU) provided the “seed” capital required to roll out incubators in South Africa under the leadership of the Department of Science and Technology (DST) during the latter half of the 1990s. The stimulus was amongst other factors the 1996 White Paper on Science and Technology, which in scoping a “National System of Innovation” approach for achieving macro-development objectives, identified the urgent need, in South Africa, to raise the overall level of technical competence, particularly in the SMME sector.

From a humble beginning of four pilot incubators, the sector currently boasts over 30 incubators throughout the country in the various critical sectors of our economy, ranging from the high tech (e.g. ICT, Biotechnology etc.) to high growth sectors like construction. Under the leadership of the Department of Trade and Industry's seda Technology Programme (STP), the sector has since enjoyed a steady increase in resource commitments from government.

Objectives

The purpose of this article was to make a determination on how best to leverage services provided by business incubators to its counterparts running other SMME development support initiatives. A wide range of business development services provided by incubators is analysed, with a specific focus on the services they provide and resource commitment from a primary funder.

Business incubator programmes that were approached for the study were drawn from the public and private sector.

The Incubator Survey:

Methodology and data collection procedure

The main method for data collection was through the use of an online questionnaire conducted with incubator management of the various incubators, i.e. the Chief Executive Officers (CEOs) and where applicable, the next senior official.

Out of a total of at least 30 incubators, a list of incubators with verifiable contacts from the public and private sector was made. Twenty-five of these incubators were government owned. A total of sixteen (16) responses were logged onto the survey and eleven (11) of these were valid responses. The questionnaires were completed electronically via a direct link to the online survey (<http://www.questionpro.com/akira/gateway/1161824-29904194-0>) and real time summary provided as and when a submission was made by a respondent. According to the survey's geo coding report, the respondents were spread as such (number of respondents in brackets): Johannesburg (5), Pretoria (3), Pinetown (1), Richardsbay (1) and Port Elizabeth (1).

Data collected was then presented in a summarised format with insight commentary provided.

Results

a. How long has your business incubator programme been in operation?

less than 1 year	1	9.1%
between 1 and 3 years	4	36.4%
between 3 and 5 years	0	0.0%
more than 5 years	6	54.6%
Total	11	

Interestingly, as question (a) illustrates, more than half of the respondents have been operating for more than 5 years and just over a 40% for a period of less than three years.

Question (b) provides a remarkable indication of the strong sectoral focus of the various incubator programmes, with over 80% catering for sector specific needs.

b. Does your incubator cater for businesses in only one sector of the economy?

Yes	9	81.8%
No	2	18.2%
Total	11	

c. Which of the following services does your incubator offer? (tick as may be applicable)

Mentoring and coaching	11
Business planning	11
Capital raising	9
Financial management	9
Business skills training	10
Office space	7
Equipment rental	7
Other	3

As expected, most respondents were providing mentoring and coaching and business planning as primary services, followed by business skills training (which explains the close working relations of some of the incubators with the Sector Education Training Authority - SETAs). The service offerings that were proposed represented typical services offered by incubators, and an option for "other" was given for respondents to list any other service that they provided that was not listed.

d. The incubators operational funding is derived PRIMARILY from...

Own resources (e.g. rental income, service fees etc.)	1	9.1%
National government	8	72.7%
Provincial government	0	0.00%
Local government (Municipality)	1	9.1%
Private sector	0	0.00%
Other	1	9.1%
Total	11	

The primary funding for the incubators is from national government (which by implication is the seda Technology Programme). This funding model is problematic as noted elsewhere in the analysis below.

More shocking was the fact that the majority of respondents have no working relationship with a number of prominent BDS agencies (although they've indicated a willingness to work with them). Encouragingly, more do have some form of working relation with a SETA;

e. With which of the below SMME development agencies does the incubator have a formal (i.e. MoU in place, collaboration agreement etc.) relationship?

Umsobomvu Youth Fund (UYF)	0	0.00%
Gauteng Enterprise Propeller (GEP)	1	9.1%
Sector Education Training Authorities	5	45.5%
RED Door	0	0.00%
The Business Place	0	0.00%
Enablis	0	0.00%
None of the above	4	36.4%
Other	1	9.1
Total	11	

Overwhelmingly, all the respondents envisage a working relationship with UYF in the near future. This may also be due to the fact that the majority of the incubator clients are predominantly youth entrepreneurs and / or youth owned enterprises. Furthermore, there is a sense that others are prepared / willing to explore partnerships with other applicable agencies as well.

f. Which of the below SMME development agencies would the incubator envisage working closely with?

Umsobomvu Youth Fund (UYF)	11	37.9%
Gauteng Enterprise Propeller (GEP)	4	13.8%
Sector Education Training Authorities	6	20.7%
RED Door	1	3.5%
The Business Place	3	10.3%
Enablis	3	10.3%
None of the above	0	0.00%
Other	1	3.5%

There are a number of critical implications that can be deduced from the above survey. Admittedly, there are much more extensive studies that interrogated various success criteria for incubators as demonstrated by Mbewana (2006).

Discussion:

Problem areas and possible solutions

In my view, incubation done properly can be used as an integrator of the different yet interfacing offerings of the various BDS institutions. The phenomena of a fragmented BDS space is not unique to South Africa as observed earlier. Even globally this continues to be a major sticking point, Erlewine and Gerl (2004:8). In order to unlock the potential of incubation, I have identified critical areas to which I provide recommendations to resolve them.

The funding model

Firstly, government at various levels need to revise the funding model towards agencies tasked with SMME development. Closer analysis of the various service offerings indicates that the BDS agencies provide to a large extent once-off interventions, e.g. in the 2006 / 7 financial year, over a third (37%) of service interventions by GEP were business plans other agencies are scant on the breakdown of their respective service offerings. In the 2006 / 7 financial year, GEP was allocated a R80 million provincial grant to cater for one province, i.e. Gauteng. Over the same period, STP (an agency with a national footprint) was allocated nearly R87 million. Questions would thus arise as to the model used across the board to effect parity and equity to maximise reach.

Private sector funding

Private sector funding for BDS support is woefully low. None of the funding for the various agencies reflects any appreciable funding by the private sector. The incubation survey indicates that none of the respondents receive any primary funding from other external sources, i.e. they are wholly dependent on national government support. This is worrying, as observed by Mbewana (2006:164). Attempts to leverage private sector input is critical to the success of the BDS sector in general but also for the business incubation sector in particular.

Factor in Broad-based black economic empowerment (B-BBEE)

In exploring opportunities for private sector funding, we should also factor in the implications of the Broad-Based Black Economic Empowerment (B-BBEE) as a means of unlocking private sector funding. The B-BBEE Act of 2003 offers a significant carrot for private sector companies who embrace enterprise development to its fullest - beyond just treating it as corporate social investment (CSI). This would also extend to areas of procurement (access to markets), which the private sector has leverage over. The Act makes provision for a compliance target of 3% of net profit after tax for

corporations wishing to gain credits towards their B-BBEE scorecards, Jack (2007:323). Since the promulgation of the Act, little effort has been made to woo these piles of monetary and non-monetary resources towards accelerating SMME development. Considering that the net after tax profits of just the three large retailers amounted to a staggering R3 billion (Spar, Pick n Pack and Spar Group Financials:2008) in their most recent financial reports this translates into a modest R90 million potentially for enterprise development activities. With this, one can easily deduce that we have barely scratched the surface.

Other concerns

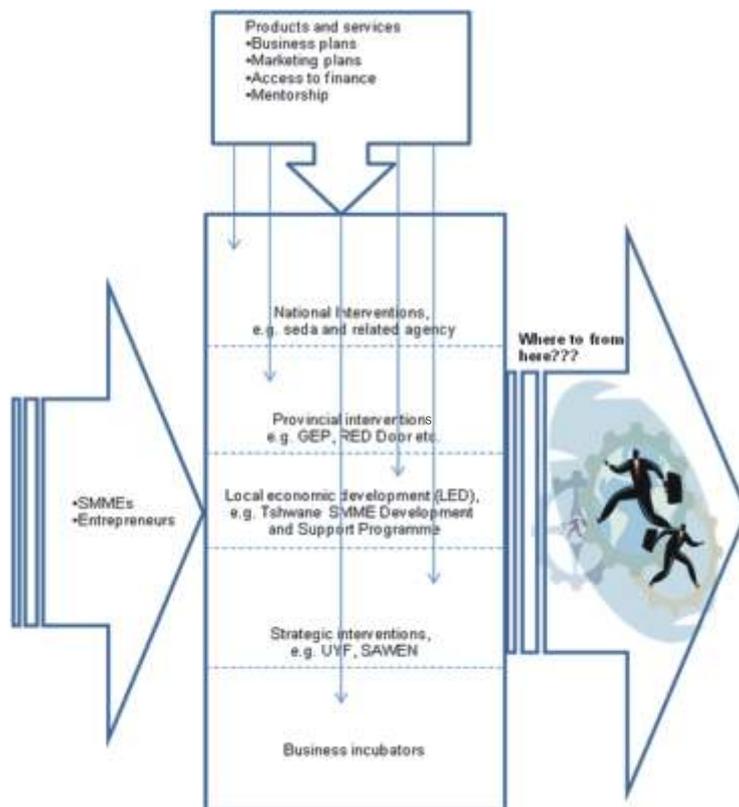
The limited involvement of the local economic development fraternity is also a matter of grave concern. Business development is at its most pronounced when impacting at a local level, Mandela NR (1997). Only one respondent indicated an involvement of a Local Economic Development (LED) office in their incubator programme. LED strategies need to take into account activities that are already in place to in order to maximise the impact of LED programmes.

Current scenario

The problematic area of duplication of resources as highlighted early on in the report is summed up by Figure A below. Hereunder, a number of enterprise development efforts at various levels are identified, whereby our target customer is the entrepreneur. The customer would leave the system with a once off intervention - predominantly a business plan. The customer leaves the system hoping for the best. Beyond this, given the lack of proper capacity to implement the business plan, little is known what becomes of him / her.

Conclusion and recommendation: proposed framework: Integrated streams

The integrated stream below expands on a conceptual model that seeks to foster collaboration amongst the role players. One of the problems identified above with "once-off" interventions is their inability to provide for long term sustainability and profitability of the enterprise concerned. What is more of a concern is the lack of tracking mechanisms to evaluate business success over an appreciable time (i.e.

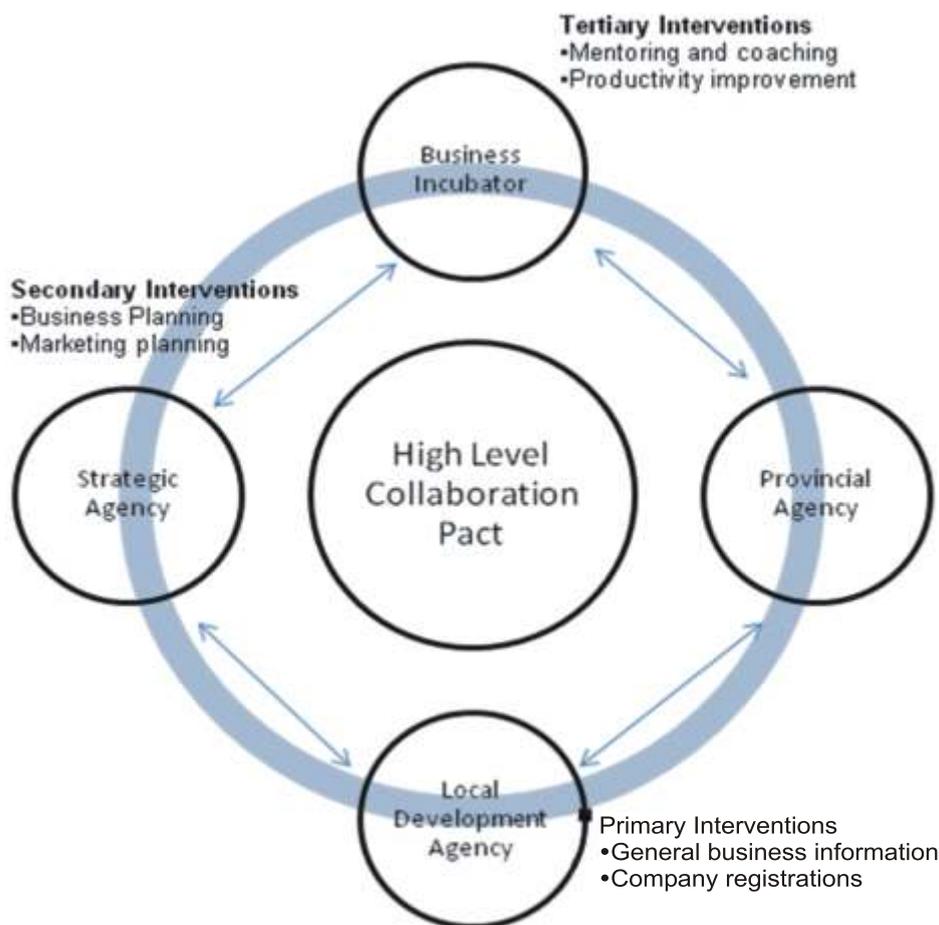


over a significant portion of the life cycle of a business). Without this mechanism, how else do we know whether that particular enterprise was still around barely six months down the line and if it is, what level of meaningful impact would be accredited to the aforesaid intervention. Incubation best practise globally dictates that as part of business incubator evaluation criteria, baseline data of incubated enterprises need to be tracked on an ongoing basis for an appreciable number of years, i.e. from entry into the programme until graduation (Wolfe, C., Adkins, D., Sherman H. 2001:116 117). Consistent impact measurement tools are thus a prominent feature in evaluating any incubator's impact.

Furthermore, research has consistently proven that survival rates of businesses in an incubator programme exceed 80% over a four year period (Ravjee:2008). A much longer time horizon would thus make sense in mapping out (i.e. packaging) the country's response to developing SMMEs.

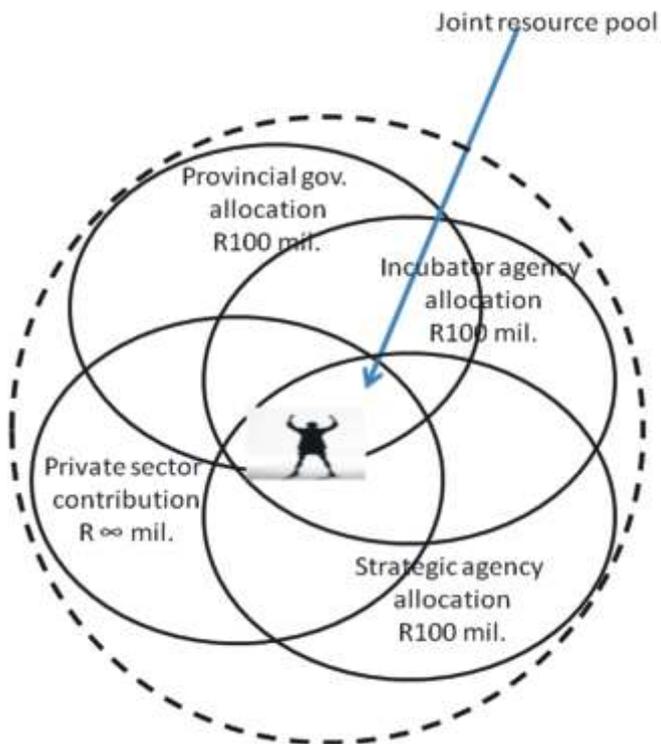
This would suggest overwhelmingly that a "neutral" platform to integrate all these disparate interventions is a business incubator. The majority of respondents indicated that the provision of office space is one of their leading offerings. Building an enterprise in an environment that is geared towards nurturing a fledgling business could not be over emphasised.

Figure B is an attempt to map out a collaborative partnership model for the BDS sector, having business incubation as part of the integrated framework can be leveraged upon by applying key BDS components of the various agencies. This approach would also assist in eliminating silos and open up a new era of cooperation and coexistence that can only bode well for the growth and development of South Africa's SMMEs. For the collaborative pact to work, high level commitments would need to be in place that would be filtered down to the operational level.



The financial resource pool

The second model proposed is the advent of a financial resource pool. Every cent spent by the South African government has a dozen other competing needs that are vying for the same e.g. health care, education and other pressing needs dictate that no amount of funding is guaranteed for any given cause. Even though government has identified the development of small businesses as one of its key priorities, it is inevitable that efforts be kick started that seek to draw in additional resources from sources other than the public purse (particularly from national government). Figure C seeks to provide for a joint pool approach, which advocates a mindset shift that the primary (and sole) avenue for financial resources is the public sector. The private sector should be encouraged to channel significant resources towards the development of SMMEs and entrepreneurship promotion in line with their commitment in fostering B-BBEE.



It is hoped that the above models, arguments and suggestions would enrich the discussion around economic development broadly and SMME support in particular, and that the tangible propositions put forward would assist in taking the debate to the next level.

References:

- Broad-based black economic empowerment Act, 2003
Demutualisation Levy Act, 1998
- Erlewine, M., Gerl, E., 2004: A comprehensive guide to business incubation 2nd edition. NBIA Publications
- Finscope Small Business Survey, 2006: <http://www.finscope.co.za/sme.html>
- Gauteng Enterprise Propeller Act, 2005
Global Entrepreneurship Monitor, 2006
- Jack, V., 2007: Broad-based BEE The complete guide. Frontrunner Publishing.
- Mandela, N.R., 1997: 2nd National Conference on Small Business.
- Mbeki, T.M., 2002: State of the nation address, 2002.
- Mbewana, P. N., 2006: The key success factors for business incubation in South Africa: The Godisa case study.
- National Small Business Act, 1996.
National Small Business Amendment Act, 2004.
- Ravjee, J., 2008: SA incubation policy conference presentation.
- RED Door Small Business Advice Centres: Overview. http://www.capegateway.gov.za/eng/your_gov/13464
- seda Technology Programme, 2008: Annual report 2007 /
- Timm, S., 2005. Rollout of government support agency under threat: <http://www.businessowner.co.za/Article.aspx?Page=23&type=29&Item=2946>
- Von Broembsen, M., 2006. Losing the entrepreneurship battle. Business Dayonline: <http://www.businessday.co.za/articles/article.aspx?ID=BD4A169942>
- Wolfe C., Adkins D., Sherman, H., 2001. Best practices in action: Guidelines for implementing first-class business incubation programs, 116-117. NBIA Publications.

SMALL ENTERPRISE SUPPORT INSTITUTIONS: ENHANCING INTERVENTION EFFECTIVENESS THROUGH THE RESEARCH OF BLACK FAMILY OWNED BUSINESSES

By - Dr. Sandra Musengi-Ajulu.

Abstract

There is evidence of increasing research studies on South African family businesses. The purpose of this article was to examine whether there is a need to differentiate between family and non-family businesses and whether this should be along ethnic groupings when providing small enterprise support. Interviews were conducted with 18 Black family business founders with findings suggesting that certain cultural, family, business and personal values form different types of value sets which in turn can be used to classify types of Black family businesses. Thus, the article argues that there is a need to undertake further family business research in South Africa that is cognisant of different cultural contexts. This, the article suggests, may enhance the effectiveness of interventions developed and provided by small enterprise support organisations to family businesses.

Introduction

Family businesses are increasingly being recognised as a driver and contributor to economic growth with family businesses consistently representing the majority of firms in countries (Maas, Venter & Maas, 2003; Ibrahim, Soufani & Lam, 1996). While Balshaw (in Venter & Kruger, 2004) estimates that at least 84 percent of all businesses in the formal sector are family-owned; it is not clear as to what percentage of these are Black-owned as few studies focusing on South African Black family businesses have been reported. To date, studies focusing on Black-owned small enterprises have for example, centred on characteristics of entrepreneurs (Orford, Wood, Fischer, Herrington & Segal, 2003; Ntsika, 2002); difficulties facing Black entrepreneurs particularly in terms of access to finance (Orford, et al., 2003; Cant & Brink, 1999); and success factors (Sawaya, 1995). Furthermore, there is strong evidence in South Africa that various types of business support interventions have been developed. Interventions include, for example, access to training and development, establishment of small enterprise agencies providing financial access, marketing, strategy assistance, and business plan development; however, it is not well documented as to the extent to which these interventions take into account the needs of family businesses.

Literature Review

Defining Black family business

Kepler (1991) notes with concern that family business definitions predominately focus on the business system although literature recognises the influence of family dynamics on family firm functioning. Machado (2004) argues that it is imperative to understand the family, as it is from the family that a family business can emerge. However, given the prominence and contribution of family businesses to economies (Basu, 2004; Birley, Ng & Godfrey, 1999), researchers and other interested parties are unable to reach a consensus on a definition (Lindsay & McStay, 2004; Venter & Kruger, 2004). Chua, Chrisman and Sharma (1999) argue that to progress in developing a theoretical base in any field, a definition of the concept must be provided.

Several definitions of family business can be found in the literature. For example, some definitions use characteristics or criteria to define family business which include for example, extent of ownership, presence and involvement of the family in the management of the business, and succession planning. On the other hand, some researchers opt for resource-based definitions of family business. For



Dr Sandra Musengi-Ajulu completed her doctoral studies in Family Business in 2007 and focused specifically on the role of family business value sets in the planning for succession in Black family-owned businesses. She participated in the 2006 GEM Report as a researcher and is a founding member of the African Institute of Family Business. In 2007 and 2008 she received an invitation to participate as an expert in an Advisory Panel for a study of Tourism SMMEs on behalf of the Tourism Enterprise Programme. She has recently co-authored on two Management textbooks for Pearson Education publishing. Her research interests are in the field of family business and sustainable enterprise development.

example, Chua et al. (1999:25) define a family business as “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.” In contrast, some researchers adopt definitions that focus on differentiating family businesses from non-family businesses using dimensions such as strategy, decision-making processes, human resources and recruitment practices for example (London Economics, 2002).

Researchers often use typologies to define family business as typologies are considered more useful in representing different types of family business. For example, Basu (2004) conducted a qualitative study of 60 family business founders from different Asian ethnic backgrounds about their aspirations and classified founders into four categories. Founders were considered to be in the business-first entrepreneurs category if founders are concerned with the growth and survival of the business. Family-first entrepreneurs primarily pursue the goal of involving and working with family members in the business, while founders in the money-first entrepreneurs category aspire to generate more wealth for the family. Finally, founders in the lifestyle-first entrepreneurs category strive to live comfortably and attain social status in the community.

Stewart (2003) and Peredo (2003) observe that kinship literature could advance the family business field because it provides a definition of kin. Oppong (1992:75) argues that kin provide a foundation for economic cooperation even during uncertain times thus providing “an ideal basis for long-term planning in a potential precarious and changing environment.” Gittens (1993) notes that while the family as an institution is experiencing changes, the dominant family structure types are the nuclear family and the extended family, which is considered to be a common feature of Black South African families (Le Roux, 1998).

To this end, several family business definitions that include kin can be found in the literature. For example, Olson, Zuiker, Danes, Stafford, Heck, and Duncan (2003:640) define a family business as one that is “owned and managed by one or more members of a household or two or more people related by blood, marriage or adoption.” Tagiuri and Davis (1996:199) introduce the concept of extended family by defining family business as “organisations where two or more extended

family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights.” However, few definitions of Black family businesses can be found in the literature, with definitions being similar to existing definitions where for example, Harris (1995:169) defines Black family businesses as “those concerns owned and managed by people related by blood and/or marriage.” Furthermore, in terms of small business support interventions, there is limited information as to the extent to which interventions take into account the family business context.

Methodology

The purpose of this study was to examine whether there is a need to differentiate between family and non-family businesses and whether this should be along ethnic groupings when providing small enterprise support to these entities. The methodology explained in this article emanates from a grounded theory doctoral study that focused on explaining the influence of founders' family business value sets in the succession planning process of Black family businesses. Furthermore, the methodology presented in this article deals with one of the main research questions for the doctoral study which was “What are the major types of founder value sets found in Black family businesses?”

Sampling process

A feature of the Strauss and Corbin (1990:177) approach to grounded theory is that sampling is “open to those persons, places, situations that will provide the greatest opportunity to gather the most relevant data about the phenomenon under [study]” and not about how many people, places or events to consider in the sample (Strauss & Corbin, 1990). Initially, purposive sampling was used to identify study participants. The initial participants (Family Business 1-7 in Table 1) that were selected, contacted and interviewed for the study were family business founders obtained from a database compiled during family business workshops and who met the definition of a Black family business as presented by Harris (1995). The remaining 11 family business founders (Family Business 8 - 18 in Table 1) were identified utilising snowballing sampling technique and also met Harris's (1995) Black family business definition.

Table 1: Interviewee Profiles

Family Business	Ownership structure	Management (day-to- day running)	Sector
1	Fully owned by Founder	Father and son	Funeral undertaking
2	Fully owned by Founder	Father and three daughters	
3	Joint ownership by husband and wife	Husband and wife	Franchise
4	Fully owned by Founder	Husband with wife managing one of the retail stores; children assisting part time	Retail
5	Fully owned by Founder (female)	Mother with son and daughter	Retail
6	Fully owned by Founder	Founder only	Construction and management consulting
7	Fully owned by two brothers	Both brothers	IT
8	Fully owned by two brothers	Co-founders and younger brother	IT
9	Fully owned by Founder (female)	Founder and occasionally assisted by her younger sister	Retail
10	Fully owned by Founder (female)	Founder only	Retail
11	Fully owned by Founder	Founder and his son	Hospitality
12	Fully owned by Founder	Founder with his mother, brother and sister	Hospitality (restaurant)
13	Fully owned by Founder	Founder with his son occasionally assisting	Consulting
14	Fully owned by Founder	Founder with his son occasionally assisting	Retail
15	Fully owned by Founder	Founder and siblings	Retail
16	Fully owned by Founder	Founder with his wife, brother and sister-in-law	Retail
17	Fully owned by Founder	Founder with brother and sister	Retail
18	Fully owned by Founder	Founder and siblings	Retail

Data collection procedures

The main data collection procedure used was interviewing founders where face-to-face interviews were conducted with Family Businesses 1-7 while telephonic interviewing was conducted with Family Businesses 8-18. The interviews lasted between 45-90 minutes and were tape-recorded with the permission of the interviewees. Participants were informed that the data would be used for research purposes and that anonymity would be maintained during the write up of the research.

Data analysis procedures

Data analysis procedures for grounded theory are embodied in the Strauss and Corbin (1990) paradigm model where when all elements are completed result in the development of a substantive theory. However, in this article, only those data analysis procedures used for the findings presented in this article will be explained. A values identification framework was used to identify and classify what was important to the founder. Interview data was analysed through constant comparison by asking "What is important to the founder/business/family, when was it important, how was it important, who was it important to and why?" This process of identifying and classifying value sets was done through open coding, which Strauss and Corbin (1990:61) explain as the "process of breaking down, examining, comparing, conceptualizing, and categorizing data."

Open coding was done by identifying themes that occurred repeatedly in the data; looking for theory-related evidence around how people behave; identifying metaphors and analogies expressed by founders; identifying similarities and differences between founders, and identifying linguistic connectors indicating causal and conditional relations and time-oriented indicators (Ryan & Bernard, 2003:89-93). Credibility was achieved by using the Strauss and Corbin (1990) criterion of generating concepts grounded in the data that could be traced to some source within the data.

Findings

Based on the values identification framework, cultural, family, business and personal values were identified and were used to classify types of Black family businesses.

Cultural values

Ubuntu and observing tradition were identified and described by participants as the cultural values considered important for the society that they were a part of. Values such as respect, sharing, concern for others, acceptance, community, solidarity, and trust were the common values used to describe Ubuntu. Participants described observing tradition

as knowing where one came from and use this as a point of reference in terms of how they relate with other people. A participant spoke of how observing "tradition is important because it's something that keeps us on track" while another said that observing tradition in his family is the "glue that makes us unique as a family."

Family values

Participants described family values as those that govern family and family within a business context. The main family values include support, good relationships, closeness and love, trust and respect, spirituality, providing for the family, compromise, and teaching responsibility. Participants spoke of different levels and forms of support given under different conditions including providing material and non-material support to the extended family. Support for family in the family business is important with a participant sharing that "it's about the support structure; responsibilities are there; there is honesty and there is a natural motivation..."

Participants indicated that good relationships as a value contribute to family functioning both in and out of the business but experiences varied among participants. For example, a participant working with his son in the business shared that "I can say he's just not a son; he's a friend and a business partner..." On the other hand, another participant shared that in terms of his relationship with his children, he did "not give them too much freedom..." as "they'll think that they don't have to learn hard work." A good relationship with one's spouse/partner (whether they worked in the business or not) is considered important by some of the founders because they sometimes rely on these people for support and advice concerning the family business.

Participants identified that closeness, love, trust and respect are considered important family values. A participant said "you depend on your family and [they] depend on you; but you have to trust each other." Most participants highlighted the importance of spirituality for the family and within the family business with founders sharing Christian or ancestral belief systems or a combination of the two. A participant shared that "we are quite a religious and spiritual family...But, we do have traditional ceremonies and rituals..."

Most participants considered the value of providing for the family as important as well as being able to compromise, particularly when problems arise. A participant remarked how "you don't see everything eye to eye but sometimes you have to leave some other things hanging for the sake of

retaining family spirit." The final family value of teaching responsibility was expressed by participants as being important for both the family and family business to function.

Personal values

Personal values are classified as relational values and work ethic values. Relational values were described by the study participants as the values that are important to facilitate one's interaction with family members and other people in the family business and included openness to change, willingness to learn, and trust. Most participants indicated that openness to change is important in influencing interaction and decision-making behaviour. Similarly, most participants shared that willingness to learn from others is important with a participant sharing that before starting his business, he "went around to the big guys [to get] a feel for how they run their business..." Trust is considered an important relational value and a participant shared that "I believe the advantage when you are starting a family business is that you know that you are working with people that you can trust... there is that added benefit that you know they won't do anything that will put you down."

Work ethic values on the other hand, were described by the research participants as those that describe an individual's attitude toward owning a family business and included family ownership, determination, commitment and hard work, and independence. Family ownership of the business is considered important by the family business founders who want the business to continue and remain in the family after their departure. A participant shared that besides having a job, his family were "having a life because this will continue because even their children, if they like, will get involved in..." A participant shared how his "own determination, commitment and hard work and [ability] to work with other people" enabled his family businesses to do well; a common value shared by study participants. The majority of the family business owners explained that they started the family business to become independent so as to be able to cater for the material needs of the family.

Business values

Business values in this study were described by participants as the behaviours and attitudes that were considered important by the founders for the business to operate successfully. These values include respect and trust, sharing knowledge, building the community, open communication, customer focus, innovation, and participative decision-making. A participant expressed the importance of respect by stating "you must not only show respect to family and those that you know. Respect is a part of the business. I have respect

for my family, for those that I work with and also for my customers." Participants expressed the importance of trust in the business with a participant relating that one needs to trust employees to gain their commitment to the business. Most of the participants stressed the importance of sharing knowledge with other family members if the business was to continue. For example, a participant shared "to my knowledge, some Black businesses could not succeed because only the manager, the head or father had the knowledge of the business and when he died; he died without having passed on that information."

Some participants in the study believed that their businesses were important in building the community in which they operated through creating employment opportunities. Founders identified open communication as instrumental for informing and sharing values with others in the family business. Having a customer focus and being innovative are values that most of the family business owners in this study consider important for the business to be sustainable. Finally, participants consider participative decision-making as important to enable those working in (including non-family) and those family members not working in the family business to influence events and decisions.

Types of Black family businesses

Three main value sets - traditional, progressive, and transitional were identified and used to represent different types of Black family businesses in the study. The classification of the value sets were based on the ranking of cultural, family, personal, and business values, family life cycle, and the founder's choice of successor.

Traditional value set

Family business founders with a traditional value set prioritise cultural values, followed by family values, then business values and finally, personal values. Founders are strongly influenced by cultural values especially that of observing tradition. Family values are ranked second because of the strong influence of cultural values on the founders. Thus, these founders have a strong family orientation, placing an emphasis on maintaining unity within the family and supporting the family. While the founders have a strong family orientation, founders at the same time recognise the importance of the business as a means of being able to provide for the family. Finally, the personal values were ranked last largely because founders are less open to change in terms of their choice of successor.

In terms of choice of successor, founders with this value set demonstrate behaviour that resembles that of stewardship,

which in this study is labelled 'gate-keeping'. Hence, in terms of succession planning, succession is strictly limited to the transfer of leadership from one generation to another and only to the founders' sons even if they are not yet working in the family business and/or are younger than daughters.

Progressive value set

Family business founders with a progressive value set rank personal values first, followed by family values, then business values and finally, cultural values. Personal values rank highest because of the founder's strong belief in openness to change. The family values are considered more important than business and cultural values because of the strong need for family ownership and independence acquired through the family business. Founders with a progressive value set have a strong family orientation, which in most cases was magnified by the fact that they were often younger couples who were trying to build up material resources for the family. Consequently, founders recognise the importance of the business to achieve the goal of building material resources for the future of the family. Although cultural values rank last, it is mainly because in terms of observing tradition, founders do not limit their choice of successor to the next generation and son.

In terms of succession planning, the behaviour of founders is described as 'navigating' for two reasons. Firstly, the transfer of leadership is not limited to generational succession but is open to succession within a generation. Secondly, founders exhibiting navigating behaviour are willing to accept other people besides their sons to be the successor, therefore are considered to be more progressive than founders with a traditional value set.

Transitional value set

Founders in this value set ranked personal values highest followed by business values. This ranking is largely influenced by the strong personal work ethic values and therefore, founders have a strong business-first orientation. Although family values are ranked third, it is primarily because of the situation that founders found themselves in, that is, currently there was limited family involvement in the family business. In this value set, cultural values are considered the least important in comparison to the other value sets mainly because the founders in this value set appear to 'sit on the fence' regarding the naming of the successor. In some instances however, founders had named 'surrogate successors' who were selected where there was currently limited family involvement in the business. In some instances, founders in this value set are willing to take on partners, form consortiums and establish companies but

ensure that there was still something for the family for the future. Hence, surrogate successors play the role of ensuring that the needs of the family continue to be met but with the understanding that the founder could eventually name a successor from within the family.

Thus in terms of succession planning, the founders' behaviour in this value set is described as 'exploring' because the focus is on exploring different business opportunities while maintaining the vision that the family must derive optimum benefit from the enterprise regardless of its structure. Founders therefore, have a transitional value set, which provides them the freedom to explore and if opportunities arise, to pursue them but at the same time, allow them to facilitate family inclusion should family decide to become involved in the business at a later stage.

Discussion

Family business literature suggests that there is a need to differentiate between family and non-family businesses evidenced by the increased research focus on the family business. Over the years, family business research has been done in the areas of for example, succession; culture; governance; the involvement of women; strategic planning (Handler, 1989); ownership and control; family structure, cultures and life cycles; cross-cultural studies (Goffee, 1996) family firm performance (Sharma, 2004); ethics and values, strategic management, marketing, financing and corporate venturing, individual characteristics and education (Brockhaus, 1994). However, Smyrnios, Tanewski and Romano (1998:50) note that in general, extant family business research has "led to an insubstantial body of theory to guide future research, suggesting that the literature clearly lacks theoretical and empirical integration."

Several family business studies have researched these different issues within different cultural contexts such as Philippine, Korean and Asians family businesses (Basu, 2004; Santiago, 2000; Nam & Herbert, 1999). Such studies have in some instances contributed toward theory development as findings are similar in different cultural contexts. On the other hand, such studies and others have also provided distinguishing attributes within a cultural group. Therefore, the issue to be debated is whether it is justifiable to advance the need to research South African Black family businesses. Findings of this article suggest that there is a need to do further research on family business along ethnic groupings. Given the central role of culture in family business, it is argued that it may be appropriate to begin by focusing on South Africa's different cultural groups

(i.e. Black, White, Asian, Coloured) because of the complex overlap between the family, the business entity, and ownership. Furthermore, it can be argued that by focusing on a cultural grouping such as Black family businesses, useful data can be collected about types, stage of development etc. about the family businesses which would facilitate tracking of businesses in this cultural group. This is because, family businesses are influenced by internal factors, such as tradition, culture, religion, and succession, as well as external factors such as inheritance laws, estate laws, and market competition (Chami, 2001) which in turn influences their form and function. This is supported by the findings of this article which show that the different value sets lead to different types of Black family businesses which in turn lead to differences in functioning in areas such as choice of successor and succession planning. Therefore, understanding Black family businesses further would provide useful information that could be used by the support organisations in developing their interventions.

Research indicates that family businesses contribute 66 percent of Germany's gross domestic product; account for 50

percent of employment in Great Britain while in India, statistics indicate that family businesses account for 70 percent of total sales and net profits (Chami, 2001). Furthermore, Donnelley (1964) outlines some advantages associated with family enterprises including, the availability of resources from family members, good community standing because of valuable reputation, dedication and loyalty from employees, reduced agency costs, and continuity of the business within the family. It can be argued that further Black family business research is justified within the South African context where the majority of the population is Black. Therefore, further research provides an opportunity to explore the impact of this form of enterprise for socio-economic transformation and whether there is a need to develop differentiated support interventions.

This leads to the question "are family business support needs different?" Table 2 presents examples of family support needs and activities found in some family business research and while not exhaustive, it begins to suggest that support for family business is different given the role of family and culture in business functioning.

Table 2: Analysis of family business support services

Examples family business support needs	Examples of family business support activities
Governance	Creating Board of Directors Developing family councils Developing family Constitution Advising on ownership structures
Succession	Succession planning Successor coaching and mentoring Change management Assisting with succession conflict
Strategic planning	Developing family business vision Assisting with developing family mission statements
Human resources	Recruitment of family and non-family members Designing compensation strategies Career development in the family business Helping non-family members in the family business
Managing family in the family business	Conflict resolution Developing effective sibling teams
Family business management	Developing family business systems Selecting family business advisors
Estate planning	Assistance with retirement planning Assistance with will management Assistance with business valuation
Other	Divorce and the family business Broad-Based Black Economic Empowerment Social responsibility Women and the family business

Mufune (2003:19) comments on the relationship between culture and managerial behaviour suggesting that culture provides “the context in which people make choices about how they will act but also who they want to be.” Schein (1995:231) mentions several ways which founders can use to embed their culture on others in the organisation and includes among others, deliberate role modelling, teaching and coaching others; explicit reward systems; formal statements of organisational philosophy; leaders' reactions to critical incidents in the organisation; organisational design, structures, systems, and procedures; and recruitment, selection, and promotion criteria. There is limited evidence from documented small business support interventions in South Africa that indicates the extent to which such interventions take into consideration the family business context. Therefore, it is evident that if small enterprise support organisations are to effectively offer family business interventions, then there needs to be relevant and appropriate research and information from which they can draw in developing such interventions. Furthermore, while the types of Black family business identified in this article suggest that general family business and small business research may be used to inform interventions; findings suggest that small enterprise support organisations would need to develop context and cultural specific interventions. This therefore suggests that various professionals from “the fields of law, business management, accounting, mental health, finance...and psychologists among others” (Kaslow, 1993:4) such as sociologists and culture experts need to be consulted to assist small enterprise support institutions develop appropriate interventions.

Limitations and implications

The limitations of the findings in this article include that while the article has presented different value sets which can be used to distinguish types of Black family business, the findings need to be interpreted with caution as findings may not be transferable to all other Black family business in South Africa. Furthermore, caution must be applied as the findings may not be transferable to different Black cultural groups as there may be differences among people from the same culture, which the value sets may not have accounted for. Therefore, additional research needs to be conducted to ascertain if these value sets are common to larger samples of different cultural groupings within Black family businesses and across different ethnic groups. Another limitation is that only the founder of the family business was interviewed; thus, additional insights from family members working in the family business were not captured in the development of the value sets. Finally, the researcher in qualitative research is the main research instrument; therefore, the potential for

bias is high. However, several strategies were used to reduce the level of bias, which included the use of other interviewers, member checks and peer review.

The implications for practitioners include the recognition that when consulting to family businesses, practitioners need to be sensitive to the cultural aspects of the family business as this influences aspects of business functioning in areas such as strategy, recruitment, succession and decision-making processes. Secondly, the article has broader implications for policy and research development within South Africa's small enterprise development context as there is evidence that the business support needs of family business may differ from that of non-family business because of the role of culture. The findings can assist Black family business founders to develop an understanding of the critical role of values for family business management.

Conclusion

This article has attempted to advance the case for conducting Black family business research based on the importance of culture and its manifestations within family business. It is argued that this culturally based approach to family business research will facilitate the optimal use of research by small enterprise support organisations to inform intervention development, which in turn may lead to enhanced effectiveness in providing assistance.



References:

- Basu, A. (2004) Entrepreneurial aspirations among family business owners: An analysis of ethnic business owners in the UK. *International Journal of Entrepreneurial Behaviour & Research*, 10 (1/2), 12-33.
- Birley, S., Ng, D., & Godfrey, A. (1999) The Family and the Business. *Long Range Planning*, 32 (6), 598-608.
- Brockhaus, R.H. (1994) Entrepreneurship and family business research: Comparisons, comparisons and lessons. *Entrepreneurship Theory and Practice*, 19 (1), 25-37.
- Cant, M., & Brink, A. (1999) Black retailing in South Africa. *The International Scope Review*, 1 (2), 1-15.
- Chua, J.H., Chrisman, J.J., & Sharma, P. (1999) Defining the family business by behaviour. *Entrepreneurship: Theory and Practice*, 23 (4), 19-39.
- Chami, R. (2001) What is different about family business? Retrieved 11 August, 2007, from <http://www.imf.org/external/pubs/ft/wp/20001/wp0170.pdf>
- Corbin, J., & Strauss, A. (1990) Grounded theory research: Procedures, canons, and evaluative criteria. *Qualitative Sociology*, 13 (1), 3-21.
- Donnelley, R.G. (1964) The family business. *Harvard Business Review*, 42, 93-105.
- Ibrahim, A.B., Soufani, K., & Lam, J. (2001) A study of succession in a family firm. *Family Business Review*, 14 (3), 245-258.
- Gittins, D. (1993) *The family in question: Changing households and familiar ideologies*. Hampshire: MacMillian Press Ltd.
- Goffee, R. (1996). Understanding family businesses: Issues for further research. *International Journal of Entrepreneurial Behaviour & Research*, 2 (1), 36-48.
- Handler, W.C. (1989) Methodological issues and considerations in studying family businesses. *Family Business Review*, 2 (3), 257-276.
- Harris, A.S. (1995) The future of black-owned family business. *Black Enterprise*, 26 (1), 169-171.
- Kaslow, F. (1993) The lore and lure of family business. *Family Business Review*, 21 (1), 3-16.
- Kepner, E. (1991) The family and the firm: A coevolutionary perspective. *Family Business Review*, 4 (4), 445-461.
- Le Roux, T. (1998) Where are the men? Black women's views on male participation in family life. In S.C. Ziehl (Ed.), *Multi-cultural diversity and families: A collection of papers presented at the committee on Family Research Seminar of the International Sociological Association*. South Africa: Itala. pp. 95-140.
- Lindsay, N.J., & McStay, D. (2004) What is a family business? Existence of the family dynamic in first generation family-owned franchisee businesses. *Proceedings of the International Council for Small Business World Conference*, South Africa, pp. 1-13.
- London Economics. (2002) Family businesses: do they perform better? Retrieved March 30, 2007, from <http://www.emcc.euroworld.eu.int/publications/2003/ef0315en.pdf>
- Maas, G.J.P., Venter, E., & Maas, B. (2003) *Family Business in South Africa*. Unpublished report for Old Mutual, South Africa.
- Machado, H.V. (2004) New family conceptions and the impact in the concept of family business. *Proceedings of the International Council for Small Business World Conference*, South Africa, pp. 1-11.
- Mufune, P. (2003) African culture and managerial behaviour: Clarifying the connections. *South African Journal of Business Management*, 34 (4), 17-28.
- Nam, Y and Herbert, J.I. (1999) Characteristics and key success factors in family business: The case of Korean immigrant businesses in Metro-Atlanta. *Family Business Review*, 12 (4), pp. 341-352.

Ntsika Enterprise Promotion Agency (Ntsika) (2002) Annual Report. Pretoria: Ntsika Enterprise Promotion Agency.

Olson, P.D., Zuiker, V.S., Danes, S.M., Stafford, K., Heck, R.K.Z., & Duncan, K.A. (2003) The impact of the family and the business on family business sustainability. *Journal of Business Venturing*, 18 (1), 639-666.

Opping, C. (1992) Traditional family systems in rural settings in Africa. In E. Berquo, & P. Xenos (Eds.), *Family Systems and Cultural Change*. Oxford: Clarendon Press. pp 69-86.

Orford, J., Wood, E., Fischer, C., Herrington, M., & Segal, N. (2003) *Global Entrepreneurship Monitor: South African Executive Report 2003 Update*. Cape Town: UCT Graduate School of Business.

Peredo, A.M. (2003) Nothing thicker than blood? Commentary on "Help one another, use one another: Toward an anthropology of family business." *Entrepreneurship: Theory and Practice*, 27 (4), 397-400.

Ryan, G. W., & Bernard, H.R. (2003) Techniques to identify themes. *Field Methods*, 15 (1), 85-109.

Santiago, A.L. (2000) Succession Experiences in Philippine Family Businesses. *Family Business Review*, 13 (1), pp. 15-35.

Sawaya, A. (1995) Black manufacturing small and medium-sized enterprises in the Western Cape: An analysis of success factors. Masters thesis. University of Cape Town.

Schein, E.H. (1995) The role of the founder in creating organizational culture. *Family Business Review*, 8 (3), 221-238.

Sharma, P. (2004) An overview of family business studies: Current status and directions for the future. *Family Business Review*, 17 (1), 1-36.

Smyrnios, K., Tanewski, G., & Romano, C. (1998). Development of a measure of the characteristics of family business. *Family Business Review*, 11 (1), 49-60.

Stewart, A. (2003) Help one another, use one another:

Toward an anthropology of family business. *Entrepreneurship: Theory and Practice*, 27 (4), 383-396.

Strauss, A., & Corbin, J. (1990) *Basics of qualitative research: Grounded theory procedures and techniques*. Newbury Park, CA: Sage Publications, Inc.

Tagiuri, R., & Davis, J. (1996) Bivalent attributes of the family firm. *Family Business Review*, 9 (2), 199-208.

Venter, W.P., & Kruger, S. (2004) The contribution of 'familiness' to the performance of family business. *Southern African Business Review*, 8 (3), 1-13.

CURRENT CHALLENGES FACING SMALL AND MEDIUM SIZED CONTRACTORS IN SOUTH AFRICA: A CASE STUDY OF THE NORTH WEST PROVINCE

By - Wellington Didibhuku Thwala and Makgati Jacob Phaladi

Abstract

Purpose

The main purpose of this paper is to examine challenges and problems facing small and medium sized contractors in South Africa's North West Province. Since 1995 various contractor development programmes have been initiated in South Africa with little success. Small and medium size contractors are failing due to lack of adequate capacity to handle the uniqueness, complexity and risks in contracting, lack of effective management during their early stages, lack of basic business management, poor record keeping and inadequate technical, financial and contract managerial skills. The study investigated why there are challenges regardless of the many contractor development programmes that are implemented by the government. A comprehensive literature study was conducted and was supplemented by primary data gathering. A questionnaire was sent to over 100 small and medium size contractors in the North West Province. Small businesses have been advocated as an important means of generating employment in South Africa, including in the North West Province. Different studies have highlighted that there are different critical factors that

influence the success or failure of small and medium size contractors. They range from experience in the construction sector, technical and management skills, mentoring and access to finance. The study also revealed the different initiatives that are in place to assist small and medium size contractors in South Africa using the North West Province as a case study.

The scope of this study was limited to small and medium size contractors in the North West Province. The study examined the challenges and problems facing small and medium sized contractors in South Africa focusing on the North West Province. The main findings of the study is that the major problems facing small and medium sized contractors were found to be Government not paying on time, lack of capital and difficulty in arranging guarantees.

Keywords

Contractors, Small and Medium Size, Emerging Contractor Development Programme, Enterprises.

Introduction

Micro and small enterprises are a major feature of the economic landscape in all developing countries today (Liedholm and Mead, 1999). The contribution of these enterprises to the creation of jobs and to the alleviation of poverty has been recognised by many developing world governments, including the South African Government. They have been given prominence in many development plans as well as in the strategies of many donors. The South African government has committed to ensuring that black-owned companies have access to the construction sector. Under its black economic empowerment (BEE) programme, the South African government has set targets for the percentage of each industry to be controlled by black-owned businesses. Large, predominately white-owned corporations have sold assets to achieve this objective, with the first sale occurring in late 2000. From 1995 the democratic government through its various departments has initiated some contractors' development programmes by which it awards certain levels of its construction projects to the historically disadvantaged black contractors in order to enable development of competent skills, build viable construction companies, create jobs and redistribute wealth (Department of Public Works (DPW), 1996).



Wellington Didibhuku Thwala
Currently, a Senior Lecturer at the University of Johannesburg, Department of Construction Management and Quantity Surveying. He is a Professional Construction Project Manager and a Member of the Chartered Institute of Building (CIOB). He has experience in the Project Planning, Procurement and Managing of Civil Engineering Infrastructure Projects including sewer, water supply, roads and storm water management systems. Among other qualifications he holds a Msc Development Planning, Msc in Engineering and currently completing his PhD in Engineering with the University of the Witwatersrand. He has published widely in National and International Academic Journals.



Makgati Phaladi
Currently, a Senior Project Manager at the National Department of Public Works, Mmabatho Regional Office, North West Province. He is responsible for the development and maintenance of the infrastructure for the National Government Departments in the province. He is a registered Professional Construction Project Manager. Among other qualifications he holds a Bachelor of Technology in Architecture (TUT) and Master of Technology in Construction Management with the University of Johannesburg. He is currently undertaking research with the University of Johannesburg

A construction company's decision to expand into international markets must be based on a good understanding of the opportunities and threats associated with international business, as well as the development of company strengths relative to international activities (Luger, 1997). The study was done by surveying the executives in charge of international construction of large United States based contractor. The findings indicate that track record, specialist expertise and project management capability are the most important company strengths; loss of key personnel, shortage of financial resources, and inflation and currency fluctuations are the most important threats relative to international markets; and increased long term profitability, the ability to maintain shareholders' returns, and the globalisation and openness of the markets are the most important opportunities available in international works (Luger, 1997). The vast majority of construction firms are small enterprises that rely on outsourcing personnel as required. According to the World Bank Survey (2001:44) of Small and Medium Size Enterprises (SMMEs) it is indicated that increased contracts from government and large companies were needed for them to expand their employment. This has severely affected skills training and the retention of expertise in the industry as construction workers become highly mobile, walking in and out of the industry, depending on performance in other sectors of the economy. The impact can be seen in the rigid adherence to management techniques and construction practices handed down from colonial times which have resulted in inadequate skills and capacity. Delays with interim and final payments, as well as onerous contract conditions faced by construction firms, can also impose huge constraints on the industry. Many construction firms have suffered financial ruin and bankruptcy because of delays in payment, which are common with government contracts (Crosswell and McCutcheon, 2001).

Research objectives

The main objective of this study was to establish the challenges and problems facing the small and medium sized contractors in the North West Province that lead to high failure rate. Another objective of the study was to find out the gender and race composition of small and medium size contractors in the North West province. The majority of small and medium size contractors are owned and operated by men (Liedholm and Mead, 1999). It is imperative to find out how far the transformation of the industry has come since 1994. The problems facing the contractors will be ranked according to the most severe one and ending with the least severe. The following problems will be ranked according to the contractors' experiences: Government not paying on time,

lack of capital, difficult to arrange guarantees, lack of commitment in implementing policies geared to assist small and medium size contractors by government officials, suppliers not willing to offer credit to small and medium size contractors with no track record and lastly, depending on bank loans and paying high interest.

Research methodology

One hundred (100) small and medium sized contractors were randomly selected from the database of the National Department of Public Works (NDPW), Mmabatho Regional Office: Emerging Contractors Development Programme; Local Municipalities: Contractors Development Programmes (CIP), and Construction Industry Development Board (CIDB) contractors register/database. The probability sampling method using simple random sampling was found to be the most appropriate for the study. The selection criteria adopted to form the target population included the following:

- Contractors from Grade 1 and 4 of the Construction Industry Development Board (CIDB) grading; and
- Small and medium size contractors located in North West province.

A total number of 100 questionnaires were distributed among small and medium sized contractors and 57 questionnaires were returned. The response rate was good as it was more than 50%. The research methodology for the study provided both primary and secondary data. The primary data collected formed the investigation using a structured questionnaire. The primary data was collected between June 2008 and September 2008. The scope of the study was delimited to small and medium size contractors operating in the North West province of South Africa. The Microsoft Word and Excel programmes were used to present the graphics. The statistical programme used for analyses and presentation of data in this paper is the Statistical Package for the Social Sciences (SPSS). This section consists of descriptive statistics which uses frequency tables and display charts to provide information on key demographic variables in the study.

Literature review

Dlungwana and Rwelamila, 2003; Crosswell and McCutcheon, 2001; Thwala and Mvubu, 2008 have stated that contractors can be distinguished from each other by variables such as the size of annual turnover, capacity and capability. The challenges facing small and medium-sized contractors can be distinguished between those that affect small-scale contractors and those that affect medium-sized contractors. Some key features of small-scale contractors

are that they are largely unregistered, operate in the informal sector of the economy and have very little formal business systems. The small-scale sector comprises the largest percentage of total contractors, although they employ very few permanent staff, usually less than ten employees. The conditions in developing countries present additional challenges, which include, amongst others, the lack of resources for training contractors, such as funds, poor construction procurement systems and lack of management capacity and resources to equip managers to operate their business enterprises effectively and efficiently.

Challenges faced by emerging contractors in South Africa

The challenges faced by small and medium contractors can be distinguished between those that affect small-scale contractors and those that affect medium-sized contractors. Small and medium contractors are facing increased competition due to the long-term real decline in demand, and many contractors have responded by shedding labour. The larger contractors have responded by moving into the international market. Small local contractors, in particular, are furthermore subject to volatilities due to the geographic distribution of construction and the peak workloads that characterise construction projects, which has further reduced their ability to build capacity. Emerging contractors are subject to the same market forces described above for small contractors. However, while emerging contractor development policies were intended for black economic empowerment, small government contracts have in fact been used as job creation opportunities.

Lack of effective management during their early stages is a major cause of business failure for small and medium sized contractors. Owners tend to manage their businesses themselves as a measure of reducing operational costs. Poor record keeping is also a cause for startup business failure. In most cases, this is not only due to the low priority attached by new and fresh entrepreneurs, but also a lack of basic business management skills. Most business people, therefore, end up losing track of their daily transactions and cannot account for their expenses and profits at the end of the month. During the early stages of some business start ups, owners were unable to separate their business and family/domestic situations. Business funds were put to personal use and thus used in settling domestic issues. This has a negative impact on profitability and sustainability. Some owners/managers employ family members simply because of kinship relations. In some cases, these have turned out to be undisciplined and ineffectual, a factor that has led to

eventual and sometimes rapid failure of businesses (Rwelamila, 2002; Miles, 1980; Croswell & McCutchen, 2001; Mphahlele, 2001; Ofori, 1991); International Labour Organisation - ILO (1987); Wijewardena, H. & Tibbis, G.E. (1999). The relative lack of success facing emerging contractors in South Africa was a result of: inadequate finance and inability to get credit from suppliers; inability to employ competent workers; poor pricing, tendering, and contract documentation skills; poor mentoring; fronting for established contractors; lack of entrepreneurial skills; lack of proper training; lack of resources for either large or complex construction work; lack of technical, financial, contractual, and managerial skills; and late payment for the work done.

Since 1995, the Department of Public Works (DPW) has been actively involved in conceptualising and implementing programmes to promote emerging contractors in the built environment. Through these programmes, the DPW has increased participation of previously disadvantaged individuals in the mainstream economy. Moreover, it increased economic activity in an economically depressed environment. Previous contractor development programmes have focused on the under R500 000 range, which has been found not to be a sustainable market given the number of new entrants to the market. This resulted in few of the contractors being sustainable and the cost of contractor development consequently being extremely high compared to the sustainable result.

The challenges faced by the emerging contractors include: the coordination and management of the many facets of the different programmes; maintaining focus on sustainability against pressures to roll-out too rapidly; reaching target market with information about the opportunity; sourcing mentors with the requisite skills and experience; the large numbers of contractors targeted requires large numbers of trainers and mentors which are not readily available, and are costly; the available resources to effectively and efficiently monitor, evaluate and facilitate programmes are limited; an integrated development approach requires considerable support from senior management of public sector clients and considerable inputs from officials; programmes lack sustainability; while public sector clients have done a lot for contractor development, particularly in the area of policy, there are still many issues that must be addressed at operational level, such as late payment cycles; procurement policies should encourage longer contract periods and move away from frequent tendering which is both expensive and disruptive; more qualifications need to be developed that are

targeted at the specific needs of small and emerging contractors; there is a lack of access to affordable finance; emerging contractors lack demonstrable credit and track records. The following are the major constraints faced by emerging contractors' development and growth:

Skills related barriers to construction - emerging contractors' development and growth

South Africa is characterised by a systematic under-investment in human capital. This has resulted in a labour force with a skewed distribution of craft skills, career opportunities and work-place experience. While the promulgation of the Skills Development Act of 1997 is commendable, micro enterprises already express concern about the administration costs of recovering levies in the form of grants for training. Furthermore, there are the costs of designing a workplace training programme as an alternative to using external training institutions and the relatively high charges by private training institutions after the closure of the former industrial training boards which had been subsidised through levies from industry (Kesper, 2000).

Financial barriers to small and medium contractors' development and growth

Efforts to promote SMME access to finance might have more impact on development and growth but access is limited and the cost of capital is high. While government has made some efforts to increase accessibility to finances, the targeted programmes have had limited success because awareness and usage of existing promotional programmes is very low. In addition to insufficient access, high interest rates also pose a constraint to micro enterprise growth. Moreover, Gounden (2000) reports that there are core difficulties seen in terms of discrimination by financial institutions against micro enterprises with little collateral, difficulties in accessing information and lack of market exposure. The inadequacy of external finance at the critical growth/transformation stages of micro enterprises deters the enterprises with growth potential from expanding (Nissanke, 2001).

Legal barriers to small and medium sized contractors' development and growth

With regard to legal barriers, a commonly perceived constraint of micro enterprises is the labour laws which are said to raise the cost of employment, artificially prolong retrenchments or corrective action and do not allow for adequate flexibility especially in wage settings and the arrangement of working time (Bhorat, H; Lundall, P & Rospabe, S., 2002). As a result, enterprises feel a profit squeeze and impact on the willingness to create jobs.

Findings from the North West study

The North West Province is bounded on the north by Botswana, on the south by the provinces of the Free State and the Northern Cape, and on the northeast and east by Limpopo and Gauteng Province. Covering 118,797 km (45, 869sq miles), the North West Province was created in 1994 by a merger of Bophuthatswana, one of the former Bantustans (or black homelands), and the western part of Transvaal, one of the four former South African provinces.



Map 1: Map of North West Province

The pie chart below shows that the small and medium size industry in South Africa is still male dominated with 78% male and 22% female owned. The age of the people interviewed ranges from 20 to 59 years old. 98.3% of the people interviewed were Black and 1.7% percent were Coloured people. The figure clearly shows that the small and medium sized contractors in the North West Province is dominated by Black people. 71.2 % of the people interviewed were managing directors; 6.8% were managing partners; 8.5% were Construction Project Managers and 10.2% were Construction Managers.

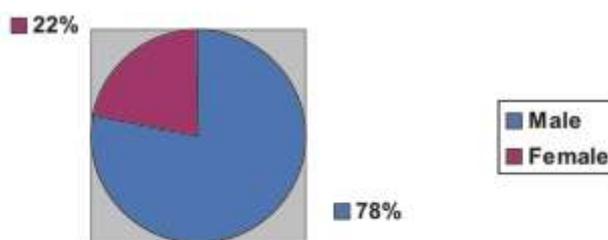
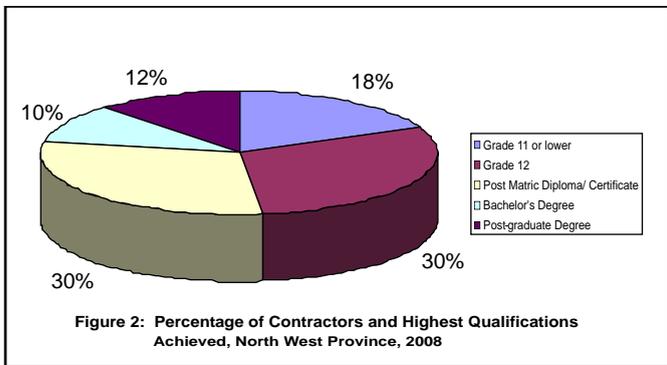


Figure 1: Gender in the North West Province

Table 1: A survey of Contractors' Qualifications, North West Province, 2008

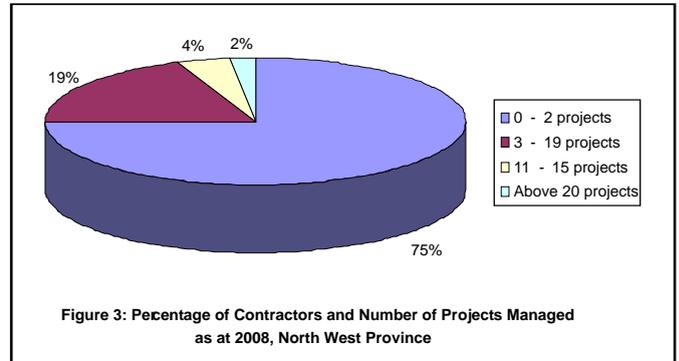
Qualification	Frequency	%
Grade 11 or lower	10	18
Grade 12	17	30
Post Matric Diploma/ Certificate	17	30
Bachelor's Degree	6	10
Post-graduate Degree	7	12
Total	57	100



The results also show that 18% of the owners of the contractors had a Grade 11 or lower qualification; 30% had Grade 12 qualification; 30% had a post-Matric Diploma or Certificate; 10% had a Bachelor's degree and 12% had a post graduate degree. The results also show that 45.7% of the owners had a qualification that is up to Grade 12.

Table 2: Contractors' Track Record in North West Province as at 2008

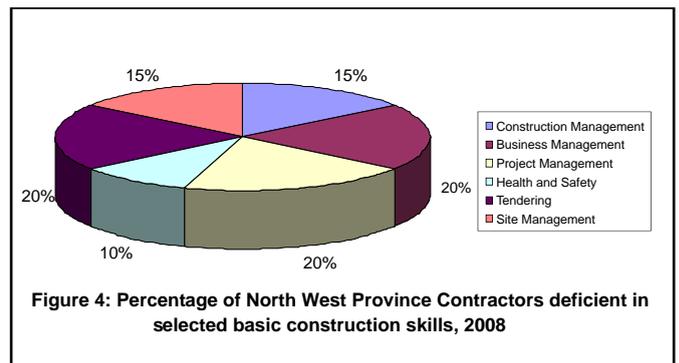
No .of Projects Managed	Frequency	%
0 -2 projects	43	75
3 - 19 projects	11	19
11 - 15 projects	2	4
Above 20 projects	1	2
Total	57	100



The results show that 75% of the contractors manage between 0-2 projects; 19% of the contractors manage between 3-19 projects; 4% of the contractors manage between 11-15 projects and 2% of the contractors manage above 20 projects at a time. Most of the contractors at the lower grading lack the capacity to manage many projects at one time.

Table 3: Basic Construction Skills lacked by Contractors, North West Province, 2008

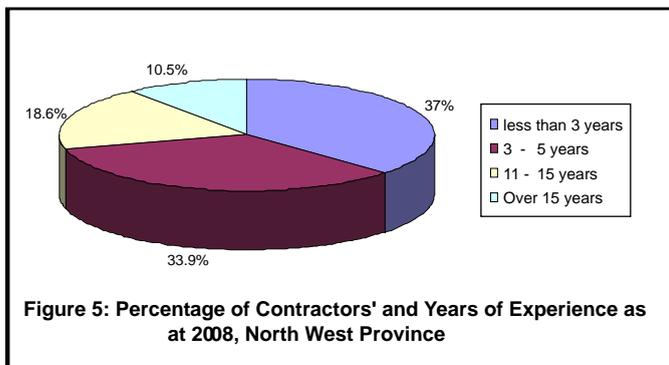
Type of Construction Skills	Frequency	%
Construction Management	9	15
Business Management	11	20
Project Management	11	20
Health and Safety	6	10
Tendering	11	20
Site Management	9	15
Total	57	100



The results show that contractors lack basic construction skills with only 15% construction management; 20% business management; 20% project management; 10% health safety; 20% tendering and 15% site management. It is also clear that the majority of the contractors in the North West Province lack important skills that will enable their contractors to be successful. The results show that scarce skills in the construction industry is a main challenge, as most of the small and medium sized contractors cannot afford to hire qualified artisans and construction professionals due to the high demand of built environment professionals. And it leaves small and medium sized contractors with no option but to outsource their work to the well-established contractors.

Table 4: Contractors' Years of Experience, North West Province, 2008

Years of Experience	Frequency	%
less than 3 years	21	37
3 - 5 years	19	33.9
11 - 15 years	11	18.6
Over 15 years	6	10.5
Total	57	100



The research also found that 37% of the owners of the contractors have less than three years experience; 33.9% of the owners have between 3 and 5 years experience; 18.6% of the owners have between 11 and 15 years and 10.5% have above 15 years experience in the construction sector.

Table 5 below shows the problems facing small and medium sized contractors when running a construction business. The table below illustrates the mean value of and ranking of the problems of running a small and medium sized contractor business. Respondents were asked to rank the following problems; Government not paying on time, lack of capital, difficult to arrange guarantees, lack of commitment in implementing policies geared to assist small and medium size contractors by government officials, suppliers not willing to offer credit to small and medium size contractors with no track record, and lastly depending on bank loans and paying high interest. The ranking was based on the problem which the respondents viewed as the most severe one and ending with the least severe. The mean was calculated by adding the number of responses and dividing by the number of respondents per category. It can be seen from Table 5 below that Government not paying on time, lack of capital and difficulty in arranging guarantees are the top ranked problems facing contractors when running their business.

Table 5: Means and Rank of Problems of running a Small and Medium Sized Contractor Business

Causes	Mean	Rank
Government do not pay on time	4.22	1
Lack of capital	4.13	2
Difficult to arrange guarantees	4.01	3
Lack of commitment in implementing policies geared to assist small and medium sized contractors by government officials	3.75	4
Suppliers not willing to offer credit to small and medium sized contractors with no track record	3.28	5
Depending on bank loans and paying high interest	3.12	6

Conclusion and recommendations

This paper has shown that after 15 years into the new democratic South Africa, the state of small and medium sized contractors continues to be unsustainable, even with the existence of supportive programmes (i.e. contractor development programme and emerging contractor

development programme). The South African construction industry will continue to provide jobs for Historically Disadvantaged Individuals (HDI) but without such an intervention, small and medium sized contractors will remain unsustainable and their performance unsatisfactory. The study finds that lack of effective management during their early stages is a major cause of business failure for small and medium sized contractors. Owners tend to manage their businesses themselves as a measure of reducing operational costs. Poor record keeping is also a cause for startup business failure. Lack of financial management; lack of entrepreneurial skills; lack of proper training; lack of resources; lack of technical skills, lack of contractual and managerial skills; late payment for work done which are common with government contracts; inability to get credit from suppliers and fronting for established contractors are also contributing factors for the failure of small and medium sized contractors in the North West Province.

In order to address problems and challenges faced by small and medium-sized contractors in South Africa, it is critical for the government to review policies with regard to Contractor Development Programmes (CDP) to ensure that the government contributes to the success of small contractors in South Africa. The research had established that there is not one critical success factor that can make small and medium sized contractors to be successful, but a combination of factors. In the North West Province case study it was found that some factors were critical and some were less critical. The authors recommend that the following factors to be considered as key to the success of small and medium sized contractors in the North West Province:

- Business skills: Location of business premises is very important. Set specific targets for your business, carry out market research, employ qualified personnel and put them in position according to their skills. Know and understand existing skills needed and attend refresher courses on business management skills.
- Management skills: Financial management should be emphasised as well as networking with other people with similar businesses and keeping records of workers to help in evaluation of the performance.
- Access to capital: Merge with others that have similar businesses, negotiate favourable credit purchases from the supplier, source affordable loans from financial institutions and negotiate advance payments from the clients.
- Good record keeping: Financial records should be prioritised and a record of books of accounts on a daily, weekly, monthly and annual basis should be established.

- Well managed cash flow: Prepare cash flow forecasts and budgets and prepare a cost-benefit analysis. Lease equipment and other financial assets to improve your cash flow, negotiate outstanding loans through payment procedures and scale down operational costs.
- Family/domestic situation: Separate business activities and family obligations and look for alternatives sources of income to cater for the family's basic needs.

References:

Bhorat, H; Lundall, P and Rospabe, S (2002) The South African labour market in a globalising world: Economic and legislative considerations. ILO Employment Paper, 2002/32, Geneva.

Cheetam, T. and Mabuntana, L, (2006). Developmental initiative towards accelerate and shared growth initiative of South Africa (ASGISA), Department of Public Works, Pretoria.

Construction Industry Development Board (CIDB), (2004). SA Construction Industry Status Report 2004: Synthesis Review on the South African Construction Industry and its Development. Discussion Document, South Africa.

CIDB, (2006). In Focus; Newsletter of the Construction Industry Development Board, March.

Croswell, J. and McCutcheon, RT. (2001). Small Contractor Development and Employment: A Brief Survey of Sub-Saharan Experiences in relation to Civil Construction.

Department of Public Works DPW (1996). Procurement Task Team. Public Sector Procurement Reforms in South Africa: Specification for the Implantation of an Affirmative Procurement. Policy APP2: Joint Venture (general) May 1996.

Dlungwana, W.S. and Rwelamila, P.D. (2003). The role of performance assessment tools in improving contractor performance in developing countries, CSIR Boutek: Pretoria.

Dlungwana, W.S., Noyana, C., Oloo, V. (2004). The Emerging Contractor Development Model Planning and Implementation Manual. CSIR Boutek: Pretoria.

Gounden, S, (2000). The impact of the National Department of Public Works' Affirmative procurement policy on the participation and growth of affirmable business enterprises in the construction sector, Unpublished PhD thesis, University of Natal, Durban.

Govender, J.N. and Watermeyer, R.B, (2001). Potential procurement strategies for construction industry development in the SADC region, Unpublished paper, Department of Public Works, Pretoria.

International Labour Organization (ILO), (2001). The Construction Industry in the Twenty-first Century: Its image, Employment Prospects and Skill Requirements. Geneva.

Jaafar, M. and Abdul Aziz A.R. (2005). Resource Based View and Critical Success Factors: A case study of Small and Medium Sized Contracting Enterprise (SMCEs) in Malaysia www.bre.polyu.edu.hk/cricom/English/journal.

Liedholm, C. and Mead, D.C. (1999). Small Enterprises and Economic Development: The dynamics of micro and small enterprises. Routledge: London.

Luger, L. (1997). Report on the small and medium enterprise, international study tour: Singapore, Malaysia and Bangladesh.

Miller, L (1962). Successful Management for Contractors. McGraw-Hill Book Company, Inc USA.

Mphahlele, G (2001). Contractor Development in South Africa. Conference on Developing the Construction Industries in Southern Africa. DPW, April 2001.

Rebelo, E. (2005). Small business, SA's biggest test; in Creamer Media's Engineering News; 25 (1); 16-17.

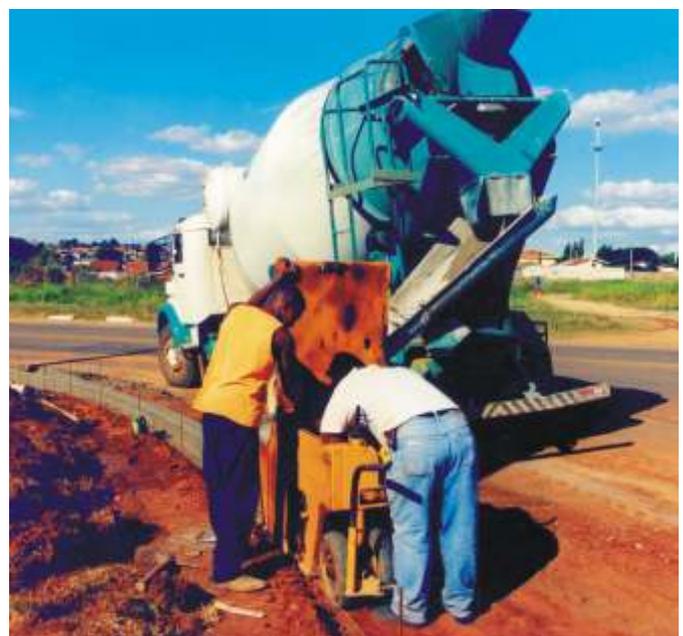
Rwelamila, P.D and Dlugwana, D.W (2002). The Role of the Performance Assessment Tools in improving Contractor Performance in Developing Countries. 1st CIB-W107 International conference. Creating a Sustainable Construction Industry in Developing Countries. 11-13 November. Stellenbosch, South Africa.

Thwala, W.D. and Mvubu M. (2008). Current challenges and problems facing small and medium size contractors in Swaziland. African Journal of Business Management, Vol. 2 (5) 93-98.

Wijewardena, H. & Tibbis, G.E. (1999). Factors contributing to the growth of small manufacturing firms: Australia. Journal of Small Business Management, 37(2) 88-95.

Young B and Hall G (1991). Factors associated with insolvency amongst contractors in the construction industry" Building Research and Information, 9(5), 315-318.

Yusoff A (1995). Critical Success Factors for Small Business: Perception of South Pacific Enterprises. Journal of Small Business Management, 33(3), 68-73.



CONFIRMING INFLUENCING FACTORS ON SMALL MEDIUM ENTERPRISE (SME) ACTIVITY

By - Magda Hewitt.

Purpose

The general purpose of this research was to gain further insight into influencing factors such as culture, race, gender, education, experience, personal traits, motivation, sources of finance, networks, family support, role models and choice of type of business form in South African small medium businesses when choosing to start, run and grow a business.

Problem investigated

Do factors such as culture, race, gender, education, experience, motivation, sources of finance, networks, personal traits, family support, role models and choice of type of business form have an influence on SME business?

Methodology

It is exploratory research conducted to gain insight into the current South African SME community. The business owners selected had to have a registered successful business operating for longer than three years. Respondents interviewed were the owner, founder or manager of the business. Each respondent was interviewed at his/her business in the language of his/her preference. 137 Small, medium business owners in a 60km radius in and around Johannesburg provided the data for this study of which 108 were fit for the purpose.



Magda Hewitt is a Senior Lecturer at the University of Johannesburg (UJ), Department of Entrepreneurship. She is an Industrial Engineer by profession and a lecturer by career. She also holds a degree in Industrial Psychology and is in the process of completing her D.Phil. She focuses her research efforts on the antecedents and factors that should be in place to sustain a firm's entrepreneurial orientation. She lectures in various entrepreneurship focused modules. She is also a consultant in advising small businesses with their efforts to become more productive, effective and efficient.

Findings

The findings fully supported findings from secondary research conducted elsewhere in Africa. Amongst the attributes confirmed are personal traits such as the desire to achieve, to work hard, nurturing quality, accepting responsibility, reward orientation, optimism, excellence-orientation, being good organisers and to be profit orientated. Partnership as a business form choice is least preferred by the SME business owners. The South African media played a significant role in providing aspiring entrepreneurs with information to start a business. Family support has been confirmed as one of the major important factors when running the business. Sole proprietorship as a business form is mostly preferred by these SME owners. A need to learn the skill on how to network was identified amongst African men, women and white women.

Value of the research

The confirming of these factors within a South African SME context has not previously been done. Further it adds to the global body of knowledge of entrepreneurship which repeatedly calls for similar studies to be repeated in different cultural contexts. Knowledge sharing with the South African SME community can lead to the strengthening and general support of SMEs. It can empower SME owners to prepare for the influence that these factors might have on their business.

Conclusions

Secondary research has confirmed the influence of various factors on these SME owners. However it was concluded that the most important contribution this paper makes is to recognise that there are differences amongst African business owners, white and Indian business owners when choosing a business format, network "know how" skills and motivation to grow a business. Due to the sample size the findings cannot be broadened to the whole South African SME sector, but the research can be duplicated in other regions. It is recommended that the reasons to grow or not to grow a business serve for future research topics and that service providers investigate the need to offer networking skills workshops and workshops on trust relationships.

Key words

Small Medium Enterprise; entrepreneurship; role models; business opportunities; networks; family support; source of finance; experience; business forms.

Introduction

To stimulate the South African economy one needs to change the mindset from job seeker to job creator (Van Aart, Van Aart & Bezuidenhout, 2003). One of the key outcomes of entrepreneurship studies, having your own business, is not part of the general mindset of the South African youth. This fact is supported by interviews that were conducted with students across two campuses at the University of Johannesburg (UJ) at the start of the 2004, 2005 and 2006 new academic year, when these students were approached to enroll for a qualification National Diploma Small Business Management. Student's perception of a "Small Business" is a "tuck shop" and or a "spaza shop" and does not imply wealth-creation to them. They associate small business with survival, struggle and spending the whole day in a tiny shop or under a tree (Business Plan, Department of Entrepreneurship, UJ, 2007:5).

The small business sector plays an important role in any social and economic development of a country and it is not different for South Africa. The small business sector is further viewed as an important tool to create and sustain employment and to ensure that there is an equal distribution of wealth (White Paper, National Strategy for the Development and Promotion of Small Business in South Africa, 20 March 1995).

Objectives of the research

To confirm if factors such as culture, race, gender, personal traits, education, experience, sources of finance, networks, family support, role models and choice of type of business form influence SMEs when choosing to start, run and grow a business.

Problem definition

Do factors such as culture, race, gender, personal traits, education, experience, sources of finance, networks, family support, role models and choice of type of business form influence SME 's when choosing to start, run and grow a business?

Literature study

Previous research in the African context was explored and factors such as culture, race, gender, personal traits, education, experience, sources of finance, networks, family support, role models and choice of type of business form have an influence on SMEs (Van Aart, et al, 2003: 9). The Accelerated and Shared Growth Initiative for South Africa

(AsgiSA) emphasises that South Africa has to develop sustainable economic growth, improve the country's international competitiveness and build its capacity to be innovative in order to overcome economic challenges facing the country (AsgiSA, 2006).

An entrepreneurial culture fosters growth and can certainly affect unemployment and poverty. However, the past decade of state-led support for SMEs in South Africa has been an account of poor organisation and generally wasted resources. Democratic South Africa's efforts to promote small and medium businesses have had unsatisfactory results. By comparison with countries like Chile, Thailand, Mexico and other emerging markets, South Africa establishes, sustains and grows fewer businesses per head of population. Studies by the Global Entrepreneurship Monitor, which tracks business creation in developed and developing countries, shows that South Africa's entrepreneurial levels, which have always been below the average for developing countries, have actually declined since 2001 (Bernstein, 2007)

South Africa has too few entrepreneurs (Phan, 1993:8) and it seems that this perception has not changed much. Those who do become entrepreneurs do so because they cannot obtain formal employment and do so only for survival purposes (Van Aart, van Aart, Bezuidenhout & Mumba, 2008:4).

Against this background it was decided to explore the current SME environment and to confirm factors that may influence South African SME owners when choosing to start, run and grow a business.

Personal traits

Research by (Le Vine, 1966; Benedict, 1979; Frese, 2000) cited in the work of Kiggundu (2002: 239-240) linked more than 20 personal traits to entrepreneurial success in Africa. He further states that Benedict has found in the Seychelles that African entrepreneurial success is characterised by high physical energy, confidence to act on an opportunity, compliance to changing conditions and an ability to enthuse others. He further points out efficacy, as the strongest individual trait as a predictor of entrepreneurial success, as is evident from studies done in Giessen-Amsterdam by Frese and his associates (Kiggundu, 2002:241). South Africa was also included in the study and the following was revealed: psychological variables such as personal initiative, ed

innovativeness, entrepreneurial orientation and autonomy differentiated successful entrepreneurs from less successful entrepreneurs. Such studies concluded that psychological variables are important predictors of a micro business firm's success.

Studies by Hart (1972), Bennedict (1979), Kallon (1990), Ramachandran & Shah (1999) also showed that African groups often are less successful with their entrepreneurial endeavours. Associated with this is that African entrepreneurs had considerably less formal education and lacked useful business networks. Kiggunda (2002:242) refers to several studies conducted which confirm that entrepreneurs do enjoy higher social status and wider social relationship in the African context. He points out however that these studies have shown that the businesses suffer as result of neglect and social responsibility. Dia (1996) on the other hand indicated a more positive interpretation of the effects of social status on African entrepreneurship. He sees social relations, social capital and social transfers as building blocks for reconnecting Africans. It is concluded that African entrepreneurs need to enhance their social skills to see them through tough business deals to enable them to advance the commercial interest of their businesses.

There is no shortage of entrepreneurs or people willing to take risks or to start business activities in Africa even if they are very small one-person operations in the easy to enter type businesses. It is stated by Ramachandran and Shah (1999) that African owned firms lacked joint action and networking. This kept them out of the loop for information on valuable resources, capital and markets. In the African context, Nelson and Mwaura (1997) found that the two main personal motives for starting entrepreneurial efforts in Kenya are search for independence and the maintaining of family wealth. Reputation and prestige as driving forces are also mentioned.

A vast number of studies have been conducted to identify the characteristics possessed by an entrepreneur. Amongst them is the desire to achieve, hard work, nurturing quality, accepting responsibility, reward orientation, optimism, excellence-orientation, being a good organiser and money orientation (Burch, 1986:28-29). In identifying how entrepreneurs are motivated Kurato, Hornsby and Naffziger (1997) and Robichaud, McGraw and Rodger (2001) divided motivation into four categories 1) extrinsic rewards 2) independence/ autonomy 3) intrinsic rewards and 4) family security. The first two related to economic factors and as the second two related to self-fulfillment and growth. Bewayo (1995) indicated that in Africa for Ugandan entrepreneurs, "making a living" is most important. The study also revealed

that the majority (61%) preferred business ownership above any other format due to autonomy, freedom and independence.

Capital and choice of business form

According to aspiring entrepreneurs limited access to short-term finance and long term capital is amongst one of the most serious problems that face them when they want to start, run and maintain a business. The degree to which capital by itself is a major obstacle to the growth of African entrepreneurship remains debatable. Most small firms in developing countries do not obtain credit through formal financial institutions because they do not meet the collateral requirements. A survey conducted in Kenya supports this as only 10% had ever received credit from any outside source (CBS, KREP, & ICEG, 1999).

Personal savings is one of the most important sources of finance available to South African entrepreneurs when starting a new business (GEM, 2003:13). A positive correlation between adequate financial knowledge and management of personal finances has been found. Most SME entrepreneurs feel inadequate when it comes to managing their finances, this might have a chain effect as the lack in confidence to manage money might have a negative effect on the financial management of SMEs and it might lead to the failure of these SMEs (Kotze & Smith, 2008).

Trust and confidence seems to hamper entrepreneurship in Africa and further Africans prefer sole proprietorship, with partnerships and close corporations being uncommon (Kiggunda (2002: 248). Four strategies to support entrepreneurship in Africa are recommended namely, the generation of usable knowledge, producing better research, scaling up and mainstreaming entrepreneurship. In a country where there is lack of employment opportunities and social security nests, starting one's own business may be the only way to subsist. The motivating factor of financial security is definitely a spur to business development and that more and more people in Africa have become livelihood creators instead of livelihood seekers (Little, 2002).

Changing business environment and access to market opportunities

The changing African business environment as a consequence of liberalisation policies and the exposure to free international flow of capital, services and commodities and the way it looks to entrepreneurs with different social standings and ethnic and class backgrounds needs to be taken into consideration. In Tanzania, enlarging markets has been the main reason for growth of small scale businesses in

the last decade. These markets are sadly dominated by import or by non-indigenous national producers. Many markets have been taken over by South Africans and the local Indian Tanzanians have also taken over an increasing share of the national market in many business lines. This is due to their higher mobility, affluence and networking skills. In South Africa this holds the same truth. Several studies placed more emphasis on factors behind entrepreneurial success than on access to information and capital through banks and credit strategies (Kristiansen, 2002:290).

According to Behave (1994) and Kristiansen (2002) small scale entrepreneurship in a developing economy is understood as a creative process with three distinct phases. One deals with the strengthening of attitudes and commitment of hard work, originality and risk taking. The second, with the ways and means to put together the means of production and to open existing markets. The last stage refers to a process of navigating skills to work through bureaucracy, formal rules and regulations. It is possible that the full potential of small business job creation is limited by red tape created by government regulation and constraints that raise the cost of start up, and running of a business and frequently bar entrepreneurial initiatives (Rondinelli & Kasarda 1993:76).

Additionally it is found that many small businesses are still at a severe disadvantage in the competitive game (Helmsing & Kolstee; English & Henault, 1995). Small business men and women also realise that they easily lose in the corruption game against wealthier and better related indigenous and Asian entrepreneurs when it comes to securing premises or negotiating contracts with government officials. The lack of trustworthiness, other than nepotism is a major problem in establishing and expanding small businesses in Africa (Kiggundu 2002).

Trulsson (2002:338) states that the larger the organisation gets the more difficult it becomes to operate outside the formal structures as set in the formal economy. Information and networking are seen as important tools to remain competitive. Enterprises would further benefit from seeing their employees as resources. Rather than inputs, the entrepreneurial team must be seen as the selection of people involved in starting and running that business that are considered to be the most important resource (Van Aart, Van Aart & Bezuidenhout 2003:5).

Based on a survey conducted by Neshamba (2000) it was found that the owner-manager's previous work experience and skills acquired on the job are important factors that contribute to business success.

Culture as an influencing factor

Morrison (2000:59) postulates that no such thing exists as one identifiable and universal entrepreneurship culture. He further points out that entrepreneurship is more complicated than an economic function. He says that the key to initiating the process lies within the individual members of society, and the degree to which a spirit of enterprise exists or can be initiated. The question that he asks is what triggers entrepreneurship? He points out that culture plays a significant role and that one should take this into consideration when he/she wants to release the enterprising spirit.

Taking into consideration that South Africa has eleven official languages one might potentially have a group constituting of 11 different cultures. Morrison (2005:61) refers to Hofstede's (1991) framework, containing five culture dimensions used to differentiate between cultures and provides a supportive argument for and against the framework. It is concluded with a statement by Hofstede, (1996) that in modern society almost everyone belongs to a number of different cultural levels, layers and contexts at the same time. People will inevitably behave in different ways, corresponding to the categories in society to which they may belong simultaneously.

Entrepreneurial culture has become a known term worldwide and is associated with an expression of an attitude towards commerce at a business level (Morrison, 2000:62). It is further argued that it is not difficult to change culture because it happens when people realise that certain old ways of doing things no longer work. When people are aware that the survival of the society is at stake where survival is considered desirable (Joynt & Warner, 1996).

Similarly Timmons (1994:9) argues that one needs a culture that prizes entrepreneurship and educates the population, and a government that generously supports pure and applied science, that fosters entrepreneurship with enlightened policies and that would enable institutions to produce the best educated students in the world. Thus it is suggested by Morrison (2000:63) that entrepreneurship has the potential to directly challenge many of the aspects associated with cultural tradition, continuity, and stability; that it will devalue tradition and heritage. Morrison (2000:68) postulated that entrepreneurship educators must concentrate more on the differences than on the similarities. He warns that it is important not to become generalistic, but to respect and acknowledge the individuality and uniqueness of members of societies who act entrepreneurially.

Trust and networking

Trust has been studied at the interpersonal level by, psychologists, sociologists and economists (Buskers, 2002: 11). Trust is dependent on history, however it is viewed as a determination of risk. Sociologists explain trust as resulting from past interpersonal experiences and therefore trust is viewed as the outcome of learning (Bower, Garber & Watson, 1996). The impact of trust and trust agents on SMEs' ability to derive benefits from it in an Australian context were researched. The findings suggest that trust is an important factor that moderates the way SME owners/managers perceive the potential benefits of networks. Networking provides an avenue for SME owners/managers to learn about potential business opportunities. Trust is an important issue for SME owners/ managers engaging in such networks and time plays an important role, as SME owners only trust over time if they feel comfortable enough to trust one another with information that may be more commercially sensitive over a period of time. If time is an issue in building trust, then governments need to understand that they will need to be involved in government-sponsored programmes for a number of years until SME owners/managers have formed mature trusting relationships. Perhaps then, SME owners/managers will be able to engage in the type of collaborative activities that have been reported by other researchers (Bruneto & Farr-Watson, 2007: 362).

The above is supported by findings in other research that network intensity is found to be associated with survival, and network range with growth (Watson, 2007:853).

Research design

Exploratory research was conducted to gain more insight into the current state of affairs. Secondary data was collected from academic journals, local and international publications. To add to these insights gained, primary data was collected. Primary data is considered to be data captured at the point of the source for specific research purposes (Zikmund, 2003:224; Mouton, 2001:170-201 & Welman & Kruger, 1999:35-145). The primary data was collected by means of a face to face interview using a structured interview with open ended questions. The advantages of a face to face interview allow for observation, permit questions to be explained and permitted a rapport to be formed between the respondent and the interviewer.

Population and sampling

The population consisted of SMEs within a \pm 60km radius of Johannesburg and surrounding areas. The criteria to be selected into the sample involved that the respondent had to

be the owner, founder or manager of the business. Such an approach assured that the most knowledgeable person in the business was interviewed (Click et al., 1990). The business selected had to be a registered successful business operating for longer than three years. This was operationalised by asking the respondents before the interview was conducted if they met this criteria or not.

Sampling is a method used to select representative observation from a population. Two basic sets of sampling are known namely non-probability and probability sampling. Judgmental sampling used selects under a non-probability sampling set and it is where the researcher selects the sample to fulfill the research purpose (Wegner, 1999). SMEs in the Gauteng, Johannesburg region were selected as a basis for the purpose of this research. 137 Small to medium business owners provided the data for this study. Where there was more than one owner, only one has been interviewed.

The questionnaire

The questionnaire used was based on a questionnaire in van Aart et al, (2000:13). Changes were made to suit the current design. The study captured the demographic factors that included business age, business size and some autobiographical factors of the owner/manager. Three further sections were covered as suggested by the instrument. The same questions were asked to the respondents in the same precise manner as well as in the language they preferred. The design of the questions was mainly open ended to allow a warm up conversation. As each respondent's answer was mainly unique the coding, editing and analysis of the data was quite extensive. The editor analysed a sample of the questions to classify responses, then all the answers were reviewed and coded according to the classification (Zikmund, 2003: 333).

Registered small business management students from a higher institution were approached to carry out the field work. Workshops were conducted with the students on "how to conduct an interview" and how to complete the structured interview. All thirteen questions were carefully explained to them. Role play was done in the workshops to familiarise them with interviewing as a technique. The field workers were also guided in terms of recording the information gathered from the interviews. The SMEs were identified by the student and approved and verified by the researcher. All personal respondent information where requested was kept confidential. A copy of the interview questions was given to the willing respondents upfront to enable him/her to prepare for the interview. Interviews lasted approximately 45 minutes

to an hour. Each respondent was interviewed at his/her business. Field workers had a period of six weeks to conduct and write up the interview and could consult with the researcher at any time during the period.

Data collection, processing and analysis

A review of the literature was done. Primary data was collected from 137 formal small and medium businesses in the area surrounding Johannesburg in Gauteng. Of the 137 only 108 interviews were used; the others could not be verified and or the data contained was not fit for the purpose. Excel spreadsheets were used to capture and to analyse the data. Bar charts were used to present the data. Based on the analysis of the content the following findings are presented:

Gender and race

Of the 108 respondents 85% is male and 15% is female. The average age of the respondents is above 45 years. They are all experienced business owners and / or running their business successfully for more than three consecutive years.

This is an important indicator in South Africa as a result of past discriminatory practices. Figure 1.2 below shows that of the males that were interviewed 9.41% is White; 14.12% Indian and 76.47% are African. These percentages are also indicated at the bottom of each bar chart.

Figure 1.2 Male Respondents according to Race

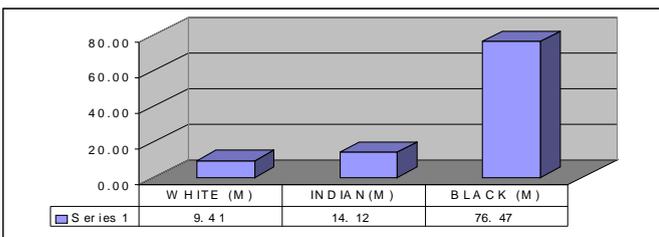
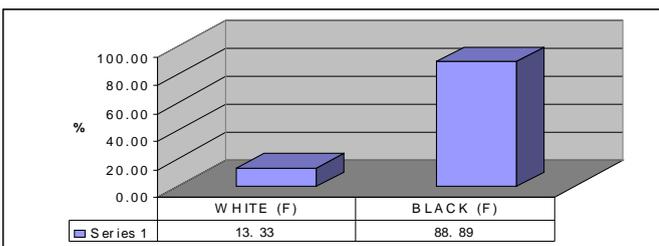


Figure 1.3 - Shows the distribution per race for female respondents. 88.89 % of the 15 respondents were African women and 13.33% were white.

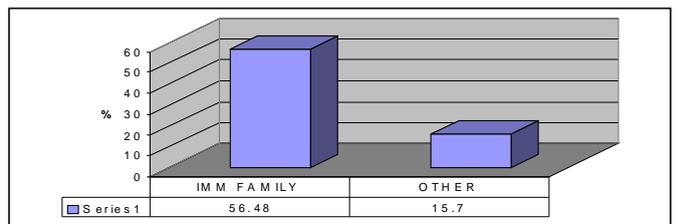
Figure 1.3 Female Respondents according to Race



Role models

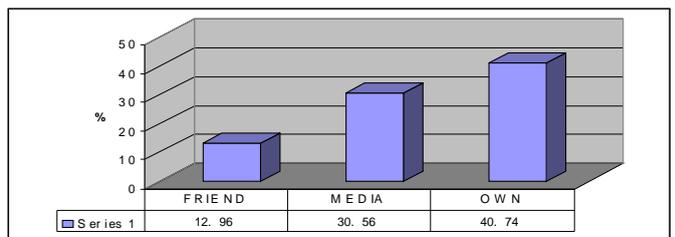
The importance and presence of a role model was confirmed by 72.18% of the respondents. 56.48% were inspired by their immediate family meaning mother, father, brother or an uncle. 15.7% were inspired by a friend or a colleague or their boss to start their own business. It was reported that all role models were involved in some or the other entrepreneurial activity. Most of these role models had their own formal businesses. Most respondents emphasised that these role models inspired them to persevere and to become financially independent and that there are intrinsic rewards (respect in your community) to having your own business. Of the respondents 27.84% concluded that they do not have a role model and that the opportunity presented itself to start their own business.

Figure 1.4 Role Models



Source of the business opportunity

Figure 1.5 Source of Business Opportunity



Ninety one of the 108 business owners revealed the source of their business opportunity. It is however interesting during the content analysis that many of the business owners (30.56%), not race specific, obtained their business idea via the media. They specifically indicated that it was via advertisement or the internet that they learned about the opportunity. 40.74% said that it was their own idea but it must be said that the analysis clearly indicated that there was already in most cases, a family business going and a history present of family members in business. Friends played a smaller role, but when they did play a role it was due to the fact that there was lack of other business exposure. Some of the respondents warned against sharing your business idea

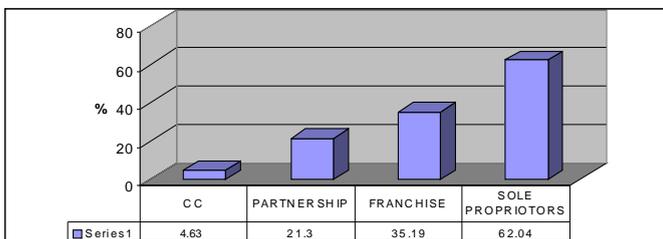
with anyone, especially people within power positions. Most respondents have expressed a lack of trust in people within power positions.

Business form

A sole proprietorship (62.04%) is the most popular business form choice, especially for African business owners and irrespective of race, in the case of women. Independence, autonomy and the freedom to make choices have been given as reasons. Further it became clear from the interviews that partnership is avoided by the majority of African males and females. The main reason given is that it is difficult to find trustworthy partners and bad experiences have been reported. They also indicated that they are not unwilling to take on partners and that they can do with a partner to take over some of the business responsibilities, but that they are not willing to take the risk to bring in an untrustworthy partner into their business. Figure 1.6 clearly indicates the choice of business form. Note must be taken that some SME owners do have a franchise but as a sole proprietorship or as a partnership, which is why percentages given are not adding up to 100%.

Content analysis indicated that Indian and White males are more inclined to take on partners. They see the financial, skills and growth benefits of the business as advantages to take in a partner and are willing to take the risk. Of the 21.3% reported partnerships they are mainly formed by Indians and Whites with close relatives and well known friends. Most of the franchises are owned by African people as a sole proprietorship. Two African respondents indicated that they have a partner. 4.63% SME owners registered their business as a Closed Corporation.

Figure 1.6 Preferred Choice Business Form



Franchising at 35.19% is perceived as a safe business format. All respondents commented on the availability and support of business advice when having a franchise. They also view this as a "safer" business format.

Source of finance

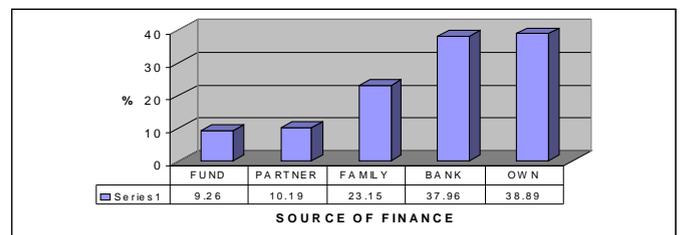
All SME owners express how difficult it was to get the business going and to find start up capital. Figure 1.7 indicates own finance (38.89%) and bank finance (37.96%) as the greatest source of finance. Family funds were obtained by 23.15% of the business owners and 10.19% was supported by partners. Only 9.26% used start up funds obtained from Umsobomvu Youth Fund and Khula, which are both Government initiatives.

SME owners reported that in the case of bank finance they first had to use their own capital to get the business viable and then thereafter the bank would be willing to assist them with a loan.

Average time calculated to breakeven based on figures given by SME owners is between 6 to 18 months, depending on the initial investment. During the analysis 84.34% of business owners who used a higher initial capital investment from the start showed an average of 6-12 months breakeven point. Further general comments by 76% of the owners were that it took them two to three months to get an indication as to where the business was going. The more time they spent with the business the more they learned and that placed them into a better position to plan and to manage their finances. 80.56% indicated that they had conducted research before starting their business and that they did have a business plan.

A good relationship with an accountant has consistently been reported as a must for business success. An interesting comment from some of the African business owners was that some customers, if unhappy with your service, can involve witchdoctor practices to condemn the business.

Figure 1.7 Source of Finance

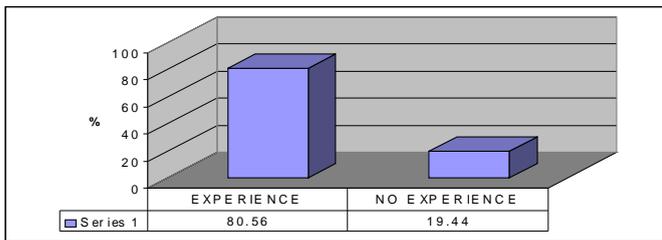


Experience

Given the average age of the SME owners of 45 years and more, the one aspect they had in common was that 80.56% have had some form of experience which was not necessarily in the field of the business that they have entered. However

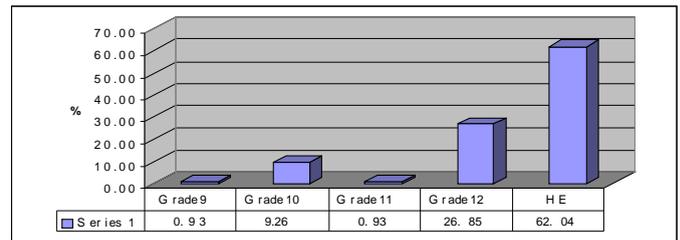
previous work experience was rated as an important factor to make a success of your business. The 19.44% that reported that they had no experience said that they have had to learn fast and that the survival of their business depended on them learning about business. It was found that 74.38% of the respondents were involved in entrepreneurial activities when young.

Figure 1.8 Reported Experience



owners valued the support provided by their family members. They further indicated that they do not surround themselves with negative people as it may negatively influence their family and their business.

Figure 1.10 Level of Education

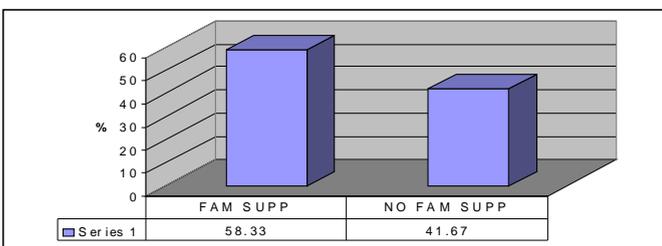


Furthermore it became clear from the content analysis that during the start up time of the business it was important to spend long hours in the business, to work hard and many relied on their previous years of working experience to exercise discipline in their own business.

Family support

58.33% reported that they have had family support when starting their businesses and that they still have family support to run their businesses. 41.67% indicated that they did not have family support when they started the business however they did indicate that this changed when the family realises that there were benefits for all in making the family business a success. All SME owners stressed the importance of family support when having your own business.

Figure 1.9 Family Support



Level of education

Figure 1.10 above shows the level of education business owners have. Some of the business owners realised after they started the business that they should obtain a business qualification to assist them. They indicated that their main drive was that they could not find reliable partners to conduct certain functions and therefore they had to further their education. During the analysis of the data an interesting factor revealed itself that 35.67% of the African business owners who started their own business were previously teachers.

Many respondents reported that the ability to market, sell and communicate has had a positive impact on their business. All business owners who started to study after they had set up their business pursued communication and marketing as part of their studies. Communication with emphasis on how to present yourself and to prepare written reports and requests for business was considered by all respondents as an important skill to make the business a success.

Networking

The study revealed a positive correlation between SME owners with a higher education qualification and having a solid network in place. 58.33% do have a network and value the importance and assistance of business advisors, accountants and other entrepreneurs in terms of advice and general support together with family support.

The content analysis is clear that due to the long hours of work and risks associated with the business, the business

The nature of businesses engaged in varied with chicken being the most predominant choice of business. This leaves room for many other business opportunities that can still be exploited by prospective business owners. Further the research supported the lack of support for partnerships as a business choice in South Africa, especially for African men and women and for white women; this is mainly due to a trust problem amongst these groups. They have all indicated that they are very open to the idea of having partners especially when their business enters its growth phase, but that no medium exists to find a trustworthy partner. White males and Indians reported not to have this problem.

It can further be concluded that the South African media (newspapers, internet) plays an important role in creating awareness that it is possible to start your own business amongst ordinary South African citizens; however it seems from the analysis that South African, African business owners prefer franchises as the safer business option. This also led to the situation that very few business owners are interested in growth once their business has settled in. It is therefore concluded that the main motivation of these business owners is to provide for themselves and their families with no prospect of growing their business.

The results as presented do lend some justification to the importance of the factors that contribute to business success as perceived by the business owners. Future research topics can be addressed as to investigating the relevant reasons why many of these small business owners become more managerial and less entrepreneurial once their business is sustainable, and the effect of the size and source of the initial invested capital on achieving a positive cash flow. Lastly the effect of South African culture on the growth of businesses is worth being investigated.

References:

Behave, M.P. (1994). A Process Model of Entrepreneurial Venture Creation. *Journal of Business Venturing*, (9) (93): 223-242.

Benedict, B. (1979). Family firms and firm families, A comparison of Indian, Chinese and Creole firms in Seychelles. In S.M. Greenfield, A. Strickon, & Aubey, R.T. (Eds). *Entrepreneurs in Cultural Context*. Albuquerque: University of New Mexico Press.

Bernstein, A. (2007). Young entrepreneurs must organize. Available from: http://www.cde.org.za/article.php?a_id=250. (Accessed 5 March 2009).

Bewayo, E.D. (1995). Uganda Entrepreneurs: Why are they in business? *Journal of Small Business Strategy*, (6): 67-78.

Bower, A., Garber, S. & Watson, J. (1996). "Learning about a Population of Agents and the Evolution of Trust and Cooperation," *International Journal of Industrial Organisation*, (15):165-190.

Buskers, V. (2002). *Social Networks and Trust*. Boston: Kluwer Academic Publishers

Brunetto, T. & Farr-Wharton, R. (2007). The Moderating Role of Trust in SME Owner/Managers' Decision-Making about Collaboration. *Journal of Small Business Management*, (45) (3):362.

CBS, KREP & ICEG. (1999). A National Survey of Small and Medium Micro Enterprises in Kenya, Mimeo, Nairobi, Kenya reported in Atieno, R. (2004). *Small Scale Enterprises in Kenya: How important is access to credit?*

Wohlmuth, K., Gutowski, A., Kneduk, T., Meyn, M., & Pitamber, S., (2004). *African Entrepreneurship and private sector development*. London: Transaction Publishers.

Dia, M. (1996). *African Management in the 1900's and beyond: Reconciling indigenous and transplant institutions*. Washington D.C.: The World Bank.

English, E.P & Henault, G. (1995). *Agents of change-Studies on the policy environment for small enterprise in Africa*. London Intermediate Technology Publications.

GEM (Global Entrepreneurship Monitor). 2003. *South African Executive Report: 2003 Update*.

Government of South Africa. (2001). *A new African initiative: Merging the millennium Partnership for the African Recovery Program (MAP) and the Omega Plan*. Available from the Department of Foreign Affairs (www.dfa.gov.za/events/afrinit.htm).

- Gray, K.R., Cooley, W., & Lutabingwa, J. (1997). Small-scale manufacturing in Kenya. *Journal of small Business Management*, (1): 66-72.
- Hollwitz, J. & Wilson, C.E. (1993). Structured Interviewing in Volunteer Selection. *Journal of Applied Communication Research*, (21): 41-52.
- Hofstede, G. (1991). *Cultures and Organisations*. Harper Collins, London.
- Hofstede, G. (1994). Defining Culture and its four dimensions. *European Forum for Management Development: Focus: Cross-cultural Management, Forum*, (94) (1): 4.
- Joynt, P. & Warner, M. (1996). *Managing Across Cultures*, International Thomson Business Press.
- Kiggunda M.N. (2002). Entrepreneurs and Entrepreneurship in Africa: What is known and what needs to be done. *Journal of Developmental Entrepreneurship*: (7) (3): 239-258.
- Kristiansen S. (2002). Individual Perception of Business Contexts: The case of small Scale Entrepreneurs in Tanzania. *Journal of Developmental Entrepreneurship*: 283-304.
- Kotze, L and Smith, A.v.A., (2008). Personal financial literacy and personal debt management: the potential relationship with new venture creation. *The Southern African Journal of Entrepreneurship and Small Business Management*. (1) (1):35 50.
- Little, I.D., Mazumdar, D. & Page, J. (1987). *Small manufacturing enterprises: a comparative analysis of India and other economies*. New York: Oxford University Press.
- Morrison, A. (2000). Entrepreneurship: What triggers it? *International Journal of Behaviour & Research*, (6) (2): 59-71.
- Mouton, J. (2001). *How to succeed in your Master's and Doctoral studies*. Van Schaik Publishers. Pretoria: 170-201.
- Practical Assessment, Research & Evaluation. 5(12). Retrieved January 17, 2008 from <http://PAREonline.net/getvn.asp?v=5&n=12>.
- Pawlas, G.E. (1995). The Structured Interview: Three Dozen Questions to Ask Prospective Teachers." *NASSP Bulletin*: (79): 62-65.
- Smit, R. (2003). *Programme Review Manual*. Office for Institutional Effectiveness: Quality Management Unit. Draft 3. 3. University of Johannesburg.
- Timmons, J. (1994). *New Venture Creation*, Irwin Boston, MA.
- Trulsson, P. (2002). Constraints of Growth-Orientated Enterprises in the Southern and Eastern African Region. *Journal of Developmental Entrepreneurship*: (7) (3): 331-339.
- Van Aart, I., Van Aart, C. & Bezuidenhout, S. (2003). *Entrepreneurship and New Venture Management*. 2nd Edition. Oxford University Press, Southern Africa.
- Van Aart, I., Van Aart, C., Bezuidenhout, S. & Mumba, M. (2008). *Entrepreneurship and New Venture Management*. 3rd Edition. Oxford University Press, Southern Africa.
- Watson, J., (2007). Modelling the relationship between networking and firm performance. *Journal of Business Venturing*. (22) (6):852.
- Wegner, T. (1999). *Applied Business Statistics*. Cape Town, Juta: 7-224.
- Welman, J.C. & Kruger, S.J. (1999). *Research methodology for the Business and Administrative Sciences*. Oxford University Press South Africa: 45-135.
- White Paper, National Strategy for the development and Promotion of Small Business in South Africa, 20 March 1995.
- Zikmund, W.G. (2003). *Business Research methods*, 7th Edition, Oklahoma State University. Thompson South Western: 7-224.
- Zucker, L. (1986). "Production of Trust: Institutional Sources of Economic Structure 1840-1920," *Research in Organizational Behavior*. Edition (8). L. L. Cummings, and B. M. Staw. Greenwich, CT: JAI Press, 53-111.

THE ROLE OF SMALL ENTERPRISES IN RURAL DEVELOPMENT IN SOUTH AFRICA: SMALL ENTERPRISE DEVELOPMENT AND EMPOWERMENT OF RURAL WOMEN

By - Sera Julius Tlhomola

Abstract

This study seeks to establish the small enterprise development and empowerment of rural women. The study confines itself to how the women in the rural areas can be developed intellectually and assisted by means of skills development for them to participate in the broad economic activities in the country.

One tested assumption is that women entrepreneurship in the economic development of any nation has been documented for its significant contribution. This means that the neglect of women in the development process constitutes human waste. In this research the researcher used a quantitative method approach. A formal research design was used as respondents were requested to indicate on a five point likert scaling method their perceptions on the 14 items in a structural questionnaire.

The findings reveal that factors that affect rural women participation in SMEs are; cultural factors, non availability of infrastructure and gender discrimination among others. It is therefore concluded that policy makers should take note of the various differences in needs and make provisions in their support for small enterprise development. It is also recommended that support structures, specifically access to education and finance, should be availed to empower rural women.



Sera Julius Tlhomola was born in Bethlehem in 1974 and completed most of his primary and high school education in Lesotho. He obtained a diploma in accounting in 1995 and joined Miser Consulting the same year. The following year he joined the Lesotho bank where he obtained a wealth of banking experience. In the year 2000 he resigned to take on studies at Tshwane University of Technology and obtained his first degree in Management in 2005. At present he is a post graduate student at the same institution due to submit the final draft of his dissertation at the end of March 2009.

Keywords

Entrepreneurship, South Africa, Small and Medium Enterprises (SMEs), Rural Development, Empowerment of Rural Women.

Introduction

Rural entrepreneurship is a global cause of concern. Governments are under increasing pressure to build ample and sustainable business enterprises to better provide economic development and social advancement in rural areas (Mapunda, 2005:3). This study examines small enterprise development and the empowerment of rural women in South Africa. The paper looks at the challenges faced by rural women, which influence their practice and success in engaging in entrepreneurial activities. In order to place this paper into context it may be useful to outline the current research objectives:

- To establish the level of rural women's education.
- To establish whether there are support structures in place for rural women like, access to finance and markets.
- To establish if training is provided for them to nourish their entrepreneurial drive.
- Development of appropriate policy recommendations for rural women entrepreneurs.

It is well documented that women are not well represented in entrepreneurial activities, even though they form a greater part of the population. This is because historically women have experienced special problems in entering the business sector. Rural women still remain disadvantaged segments of the society. While rural males have opportunities in construction, trade and transport these are mostly denied to rural women (Innovation for Empowerment of Women, 2002). Thus, the female members, constituting half the country's population, are lagging far behind their male counterparts in all spheres of life (Chowdhury, 2001). Therefore opportunities must be created to enable them to acquire the skills necessary for entering these newly emerging occupations.

In South Africa small enterprises by far have been acknowledged to be precisely playing an important role in labour absorption. Small enterprises or entrepreneurship is widely considered as an important ingredient in the modern global economic development recipe (Kaur and Sidhu, 2006). Studies exhibit 60% of employment growth originating from the enterprise sector of the economy and this applies to other countries as well where entrepreneurship has gained

importance in pursuit of growth. But nevertheless, it is also a case for concern that entrepreneurship is not nurtured to the best of its ability, particularly in rural areas and in particular in relation to women. As it is witnessed that there is a high rate of unemployment due to a relatively low rate of education in rural areas, it should be in the best interest of the government to educate people about the importance of entrepreneurship.

Women's contribution to local and community development is significant, but rural women everywhere are in a minority in decision making and planning. This is in part due to women's multiple roles and workload, but it is also due to the persistence of traditional views about women's and men's roles in society. Making an impact on female employment in rural areas does not always call for actions targeted specifically at women. Identifying economic sectors that have development potential and that can make a special contribution to female employment is a way of integrating equal opportunities (GEM,2005).

Although a minimal number of rural women are involved in entrepreneurship activities, a constant theme is the difficulties of these women in balancing work and domestic duties, under the assumption that their natural place and their primary social responsibility is the family. In order for rural women to achieve economic development and social advancement the establishment of a robust business sector is critical. In the quest to establish such a sector, the focus has to be to the development of viable and successful small and medium size business enterprises. And as a matter of fact, some form of training and mentoring may be necessary.

The challenge for rural development programmes is to identify the constraints on women's full participation in economic and public life at local level, and to develop specific initiatives in their favour. The aim of this study is therefore to encourage and inspire those responsible for rural development programmes and projects to take into account the needs and interests of women in rural areas. For this purpose, this study has been undertaken to explore the role of small enterprises in the rural development and empowerment of rural women in South Africa.

Literature review

Rural areas have been particularly affected by an increase in poverty and unemployment, and a breakdown of the social infrastructure including education and health care. A worrying trend is the increase in the number of rural poor below the subsistence level with few prospects of social support from the government or employment which can

generate sufficient income. Entrepreneurship is a virtue that is capable of removing all these vices associated with economic growth.

The issue of women entrepreneurship is becoming increasingly popular across the globe. The participation of women is increasingly being viewed as one of the prime contributors to economic growth. In many developing countries women entrepreneurs are taking leading roles in helping their respective governments to establish and develop strong small and medium enterprises (SMEs) that contribute significantly to poverty reduction (Singh and Belwal,2007:121).

Singh and Belwal (2007) further elaborate that SME development and promotion helps in mobilising entrepreneurial initiative and autonomy and at the same time strengthens pluralistic and social emancipation processes. The importance of SMEs reflects the need to provide employment, enhance economic growth and generate additional capital for large scale operations in less developed countries (Hailey, 1987).

The DTI's Strategic Framework for Women Enterprise categorises the common factors which present barriers to the successful transition for many women into business and self employment. This is in line with the studies conducted in the recent past, having found that women entrepreneurs encounter more operational and strategic impediments than their male counterparts (Rutashobya, 2001). As per the ILO (2004) report the major barriers to expanding women enterprises are:

- Lack of market access
- Lack of affordable technology
- Lack of sufficient financial resources to buy inputs in bulk
- Lack of appropriate growth financing; and
- Lack of education

Buttner and Rosen (1988) advocate that based on preconceived stereotypes, female business owners are at a particular disadvantage especially in obtaining financial capital. It is of critical importance to note that the problems and the challenges faced particularly by women entrepreneurs today need to be taken into consideration to minimise migration among rural women. Surveys show that, in general, rural women have a strong desire to stay in their community and contribute to its development, provided certain requirements are met:

- Employment opportunities in the rural areas
- The possibility of gaining work experience and vocational qualifications
- Local facilities for education and training
- Business services supportive to women's projects and enterprises
- Supportive public and professional organisations

Effective rural development creates a wider range of opportunities for higher quality employment. This in turn opens up new employment prospects for women, who might otherwise move away. Advantage can be taken of new and expanding sectors, such as telecommunication, local services, tourism and leisure services and environmental improvements (European Commission Directorate General for Agriculture, 2000:11). Encouraging more enterprise activity is essential for future economic growth. This isn't just about strategy and growing more businesses, but encouraging people and organisations to think and act in a more enterprising or entrepreneurial way. It's particularly important to encourage women to consider enterprise and business ownership, as they are currently much less likely than men to be involved in entrepreneurial activity (Enterprise Action Plan, 2008:1). This isn't because they are less entrepreneurial or less able to run a successful business, but because of complex set of issues which often prevent women from taking the first step. Hence, there is the need to develop specific strategies to encourage and assist rural women's enterprise development.

The overwhelming majority of rural women are not only poor, but also caught between two vastly different worlds - the world determined by culture and tradition that confines their activities inside the family homestead, where they are regarded more as commodities necessary only for bearing children and the world shaped by increasing landlessness and poverty that focuses them outside into various economic activities for survival.

The question as to why this prevalence of poverty and why women are more disadvantaged could be raised. Well the fact of the matter is that because of long held cultural beliefs, there is a lack of access to education and lack of economic empowerment for women. Women who live in poverty in rural areas are often put at a strong disadvantage for progressing in today's world (United Nations Industrial Development Organisation, 2008). Impoverished women in rural areas are also more likely to have more children and not obtain education. All of these factors lead to generation after generation of women trapped in a life that could be better, at

risk of being underempowered. With this happening, it slows down the nation's economic growth. The human resource is left unutilised, and while opportunities are lost, a nation's majority may exist on subsistence farming.

The importance of engaging more women in enterprise is highlighted by the government. Women constitute more than half of the population but are the largest under-represented group in terms of participation and often they offer a wealth of untapped talent and economic opportunity. The fastest means to a woman's empowerment is through economic independence which can be achieved through entrepreneurship development and small and medium enterprises. SME's represents the backbone of local economies in most developing countries. Yet most of these enterprises remain in the informal sector because they lack the ability to grow beyond the neighbourhood and comply with the demands of the complex business environment in the formal sector (Mugione, 2008).

Entrepreneurship offers tremendous opportunities for women across the world by opening doors to greater self sufficiency, self esteem, education and growth, not only for the women themselves, but also for their families. And women are really changing the face of business ownership locally and internationally. Most of the available literature on women business ownership concentrates on entrepreneurial development in industrialised sectors and very few in underdeveloped rural areas (Jalbet, 2008).

Considering the situation in South Africa, the Department of Trade and Industry (DTI) reported that women enterprises in South Africa remain on the periphery of the national economy (DTI, 2005:10). It further reported that the concentration of activities of women in business is located in the areas of crafts, hawking, personal services and the retail sector. There are low participation levels of women entrepreneurs in value adding business opportunities. Some of the barriers in promoting women in business include cultural and societal problems, the psychological impact of cultural norms, employment legislation and policy, lack of information, training, finance, markets, technology, business infrastructure and government intervention (DTI, 2005:10). For government in South Africa and the DTI, women are a critical component for alleviating poverty as a national priority and for the promotion of South Africa's policy of Black Economic Empowerment (BEE) - a pragmatic growth strategy that aims to realise the country's full economic potential.

In recent years, the developing countries of the world have been focusing attention on the most disadvantaged group in the society- the women (Chowdhury, 2001). Realisation has gradually dawned on all concerned that a society cannot afford to waste half of its human resources by discrimination on the grounds of sex. This increasing awareness on the part of the government has led to the adoption of national policies to facilitate a development process involving rural women in all spheres, particularly in economic activities focusing especially on entrepreneurship development.

Women entrepreneurship in the rural industry is a new arena for investigation in the socio economic environment. In view of the need to bring the rural womenfolk in the development stream of the country, both the government and private sectors and other related agencies have provided ample opportunities to promote entrepreneurial skills among women (Chowdhury, 2001). The importance of women entrepreneurship development focuses on the women's development in general and their participation in income generating activities in particular.

Overall, rural transformation is all about seeking to bring about improvement in the living conditions of the farmer, the artisan, the tenant and the landless within the simple and rustic economies of the country side and urban slums (Kolawole, 2002). Rural development in Chambers' (1983) view, is a strategy to enable a specific group of people, poor rural women and men to gain for themselves and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of development.

The basis for employment generation and entrepreneurship development in rural areas, therefore, is to enhance the improvement of the living conditions of the ruralities, and by that, stem rural urban migration. However, to tackle this problem of rural poverty and isolation, the grass roots people have an important role to play in capital mobilisation, capital investment and re-investment (Kolawole and Torimiro, 2005:193). Institutional support is very crucial though. It is noteworthy to quickly point out that entrepreneurship development programmes have various components such as financial assistance, training, technology, marketing and general research services (Goldmark and Rosengard, 1981).

This means that ruralities must participate actively in development programmes. In this context participation means playing active, though not necessarily direct roles in community decisions. Therefore government and community

people must work hand in hand to realise the goals of sustainable rural entrepreneurship and development. Manuel (2009) in his budget speech outlined that a total of 1.8 billion rand has been allocated to enhance rural development and support small scale agricultural projects. Support for subsistence farming is of crucial importance. Areas with the best prospects for rural female employment should be identified for processing of agricultural produce. The rural women participate more in the agricultural sector, especially in operating vegetables gardens.

Methodology

The purpose of this research is to explore the role of small enterprises in rural development in South Africa with a specific focus on empowerment of rural women. The following are some specific objectives of this study:

- To establish the level of rural women's education
- To establish whether there are support structures in place for rural women like, access to finance and markets
- To establish if training is provided for them to nourish their entrepreneurial drive
- To investigate the general background of rural women entrepreneurs by judging their experience, size and type of business
- To stimulate women entrepreneurship by providing abundant information which matters most to them
- Development of appropriate policy recommendations for rural women entrepreneurs

The study was carried out in Oskraal, a village situated 80kms in the north west region of Pretoria. It is a home to not more than 100 smallholdings or 200 people. The selection of this area was based on its remoteness and its semi-ruralness. The study used only primary data and convenience sampling was used as a method because it chooses the individuals that are easiest to reach or sampling that is done easily. Convenience sampling generally assumes homogenous population, and that one person is pretty much like another.

Informed concern was provided to all participants who formed a unit of the study. It was further clarified that all the information that they impart will be treated with strict confidence and their anonymity assured. Of the 18 issued self administered questionnaires which were used to collect pertinent primary information, 15 were fully completed and therefore used for data analysis. Question statements were developed employing the 5 point likert scaling method. This five point scale range from strongly agree to strongly disagree with the middle of the scale identified by the response alternative undecided or neither agree or disagree.

Further individual discussions, not focus groups, were held to nourish data collected through questionnaires. For generalisation purposes, the number of questionnaires issued was determined by the number of people living in the area. Because of the small volume of data an excel spreadsheet was used as a form of analysing the data, as well as simple statistical data analysis by means of producing pie-charts and bar graphs that are elaborated in detail.

Data analysis and findings

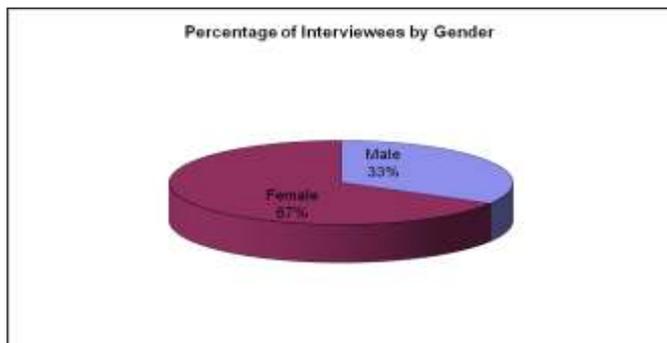


Figure 1 depicts the percentage of the interviewees by gender. The research shows that 10 females and 5 males who constitute 67% and 33% respectively were interviewed.

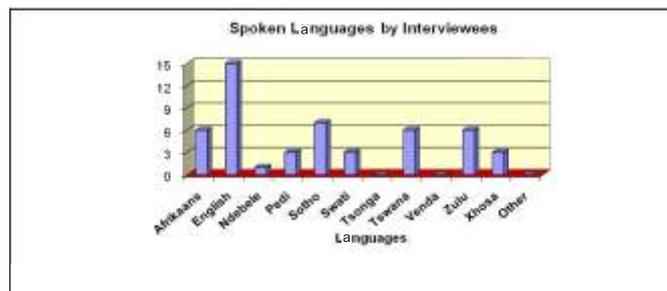


Figure 2 illustrates the number of spoken languages by the interviewees. The question was also interested in seeking the number of languages spoken by the interviewee except his/her mother tongue language. The study showed that each and every interviewee can speak English. 14 are Sotho speakers, 12 can each speak Afrikaans, Zulu and Tswana, while 6 comprise of Pedi, Swati and Xhosa speakers.

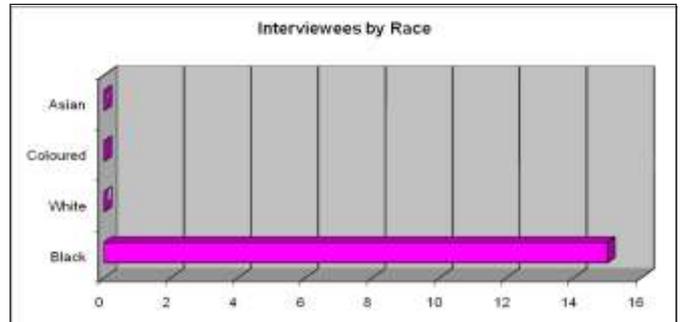


Figure 3 exemplifies the number of interviewees by race. The study reveals that all interviewees are African Blacks. Oskraal in the north west region of Pretoria is the place whereby a substantial margin of blacks resides looking at the unit of study.

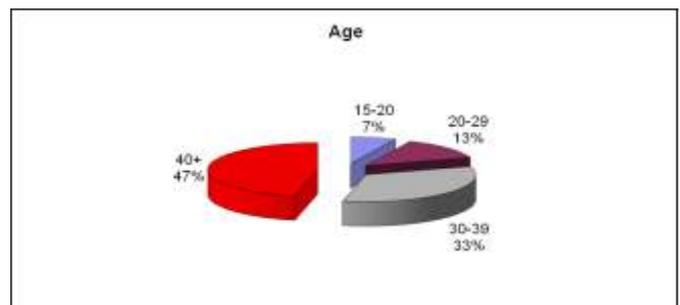


Figure 4 indicates the number of interviewees by age. The pie-charts depicts that 47% of the interviewees aged 40+ years, 33% ranges between 30 and 39 years while age group 20-29 constitutes 13% and 15-20 years contributes 7%.

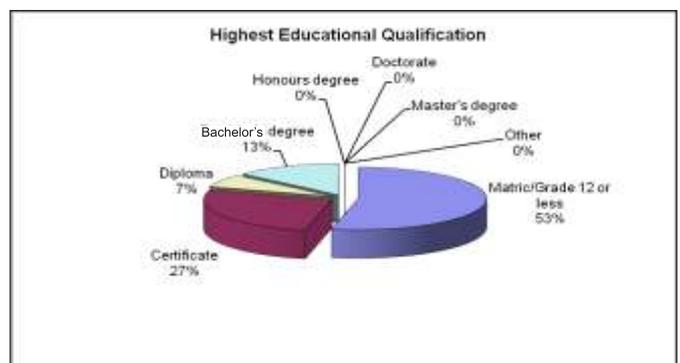


Figure 5 signifies the highest educational qualifications that interviewees obtained. Approximately 53% hold Matric/Grade 12 or less followed by 27% who attained Certificates and 13% who achieved Bachelors degrees and 7% with Diplomas. The study also shows that there no interviewees who acquired post graduate qualifications.

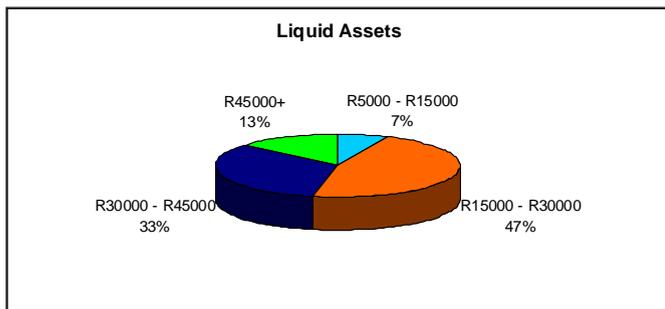


Figure 6 shows the liquid assets accrued by interviewees with respect to value group depicted in Rands. The pie-chart reveals that 47% of the interviewees occupy liquid assets ranging between R15,000 and R30,000. The R30,000-R45,000 group follows with 33% whereas 13% comprise of R45,000+ group.

Findings

The findings are based on the primary data collected. All procedural steps relating to research results are adhered to accordingly.

1. Although women play a significant role in rural areas, as most of them are found to be uneducated in this study, they still have to rely on male counterparts to maintain their livelihood. A low female literacy rate has hindered the effectiveness of economic and social development programs in rural areas. Also lack of employment opportunities deprives them of bringing their labour to productive use. Consequently, most of them cannot earn and are unable to support their respective households. Denying them work opportunities will never make them self-reliant. In this regard, to provide income generating opportunities for rural women, it is essential to provide them appropriate skills development training.

2. The unfavourable position of rural women is not only the result of the economic crisis in the society. To enhance rural incomes and employment, action is required to establish equal rights for the women, increase their political representation, and to match their education levels with the demand of the new market economy.

3. Awakening of rural women to the possibilities of the easily accessible micro-enterprise is the foremost task. The government, local government and non-government organisations should create awareness among the most productive group of rural women.

4. To develop a successful enterprise, the acquisition of knowledge and skill up-grading and polishing of existing knowledge and skills in production are the basic requirements.

5. The government claims to have launched many schemes for the development of rural women entrepreneurs in the country. However, this study revealed that rural women are mostly unaware of such schemes, with 27 per cent of the respondents unable to comment on these schemes and 43 per cent of them showing disagreement against the availability of such schemes.

6. Gender discrimination is still an issue in this area. Women are still treated as housewives and therefore it is difficult for them to engage in any form of entrepreneurial activity. A constant theme is the difficulties of these women in balancing work and domestic duties, under the assumption that their natural place and their primary social responsibility is the family.

7. The Department of Trade and Industry's services are not known in this area. The reason is limited marketing of the DTI and its products as well as its subsidiaries. People are not aware of any products or services offered by the Department of Trade and Industry.

8. The availability of infrastructure remains a problem in this area. For basic services the people of this area have to walk for hours to get services. There is no provision of adequate supply of safe drinking water and sanitation. This influences the chances of transmission of diseases and there is always lack of medical intervention. The breakdown of the social services network in rural areas, particularly education, health care, and payments of social benefits calls for actions at all levels.

9. Specific research on rural entrepreneurship and SME training in South Africa is rather limited. Any training programme that addresses the daily running of a business should be adapted for different culture groups and for the training of small business to be effective, it must be kept simple. Small segments of ongoing, hands-on type training that allows trainees to participate and discuss business

matters of mutual concern would seem to provide the best results.

10. There is need for positive economic development to increase the role of market forces and the development of private entrepreneurship and an increased access to credit and other production resources.

11. In the social field, the educational reforms, birth rate decrease and increase in activities of the women's movement are among the most beneficial.

12. The increase in corruption, crime and commercial sex were all signs of the economic and social strains experienced by the rural communities.

13. Increased unemployment, coupled with growth in unpaid home labour, decreasing incomes and increasing costs of living, had all resulted in a surge in poverty and general decline in living conditions of the rural population, particularly of the rural women. These developments had triggered increased migration from rural to urban areas.

14. The economic and social changes had had negative impacts on women living in the rural areas.

15. The department of labour is not playing its part in uplifting the lives of rural women. Continuous meetings have been sought by the ruralities with the department to come up with joint strategic interventions on how to improve rural women entrepreneurship.

16. Information flow in rural areas is a problem. People get limited information through radio broadcasts. Daily dispatch of newspapers in this area is a wish.

Limitations

It was difficult to fully explore this study due to the time frame. Further studies are recommended especially in the deep end of South African rural areas. This study cannot therefore be generalised to the entire population.

Conclusion and recommendations

That women have a significant role in Africa's socio-economic development is beyond question. Entrepreneurship on a small scale is the only solution to alleviate rural women's problems of unemployment, proper utilisation of human resources and improving the living conditions of poor masses. Rural women having a pool of

human and non-human resources, to take up on enterprise need only an innovative mind and motivation. But to be successful entrepreneurs some essential prerequisites are required.

It has been identified that the three major banes of rural development, which are unemployment, inequality and poverty, need to be thoroughly addressed to stall rural urban drift and rural isolation. Some crucial factors of rural entrepreneurship development and employment promotion such as infrastructure availability and functionality, education, accessibility to information and the economic well being of rural dwellers cannot be underestimated. Empowering women, particularly rural women, is a challenge. Micro enterprise in the rural areas can help to meet these challenges. Micro enterprises not only enhance national productivity and generate employment, but also help to develop economic independence and personal and social capabilities among women. To stimulate female entrepreneurship and create further employment opportunities, training programmes for relevant issues need to be provided to women currently in business. Where women have access to market information and display of products they can increase their business acumen, especially with respect to demand for a wide range of products they might choose to produce.

Rural women entrepreneurs should be provided special facilities to develop their enterprises. These include:

- Development banks with separate advisory services for women
- Arrangements of exclusive fairs to promote products manufactured by SME's
- Special market facilities both in the domestic and international arena.

Infrastructure development and other broad sectors of the economy demand and consume a major share of the national development budget. It is thus sometimes said that the poverty alleviation goal receives more palliatives than substance, in the face of things as they stand; both the government and private sector have a major responsibility to promote entrepreneurship development for women. Without that, the advancement of women remains a far cry.

A number of tools can be adopted for women entrepreneurship development. These are:

- Access to education
- Access to mobility
- A conducive social structure
- Access to finance

Rural women need to come into the mainstream of economic development. It was recognised that through entrepreneurship business women could immediately become independent. Initiatives need be taken in rural areas as in urban areas to promote an entrepreneurial culture and a self sustaining society. Therefore it is the government and private sector's responsibility to create a business environment that encourages initiative of rural women entrepreneurs and to enhance the human and institutional capacities required for fostering entrepreneurial dynamism and enhancing productivity.

Furthermore, quality support services for rural women venturing into self employment, or starting their own businesses or cooperatives, are imperative. Existing services can often be reviewed and adapted or expanded to address the specific needs of women entrepreneurs. Experience shows that, prior to starting a business, women often prefer to participate in women only courses and groups. But once their business has been established they want access to support services appropriate to the type and size of the enterprise they have created, and to the sector in which they operate. They need back up counseling to help develop their ideas, identify their skills and capacity and increase their confidence and a range of business support like:

- Specialised business start up courses and technical assistance
- Improved access to finance and credit; and
- Involvement of experienced entrepreneurs to act as mentors - mentoring takes place in a variety of socio economic contexts and as such its precise role may change dependent on the environment and the objectives of that majority.

In summary the following actions should be implemented:

- Improve legislation on private entrepreneurship and opportunities for rural women
- Increase involvement of rural women in local government and self government

- Create employment in the agricultural sector
- Attract international investments in the agricultural sector
- Introduce up to date technologies in the agricultural sector
- Develop and improve micro credit policies
- Improve women's access to soft loans
- Create information and counseling
- Strengthen education in general and training of rural women in particular
- Improve access to communication and information in the rural areas
- Increase government support to social infrastructure in rural areas such as schools and medical facilities
- Protect rural entrepreneurs against corruption and legal infringements

References:

BUTTNER, E.H and ROSEN, B. 1988. Bank loan's officer's perceptions of the characteristics between men, women and the successful entrepreneurs. *Journal of business venturing*, Volume 3. No 3. pp 249-261

CHAMBERS, R.1983. *Rural development, Putting the Last First*. Longman Scientific and Technical. Co-published in the United State with John Wily and Sons, Inc., New York

CHOWDHURY, M.M.R. 2001. The emerging women entrepreneurs of Bangladesh. *Entrepreneurship journal*, volume 2, issue 6

DEPARTMENT OF TRADE AND INDUSTRY-DTI. 2005. *South African women entrepreneurs. A special report*. Retrieved March 3, 2008 from <http://www.thedti.gov.za/sawen/SAWENreport2.pdf>

European Commission Directorate General, 2000. *Women active in rural development. Assuring the future of rural Europe*: Luxembourg

GLOBAL ENTREPRENEURSHIP MONITOR, 2003. *Worldwide, One in 11 women involved in entrepreneurial activity-NWBC Analysis Summaries Global Entrepreneurship Monitor findings*. National Women's Business Council

GOLDMARK, S.G. AND ROSENGARD, J. 1981. Evaluating small scale enterprise promotion: State of the art-Methodologies and Future Alternatives. Development Alternatives Inc, Washington.D.C

HAILEY, J.M. 1987. Entrepreneurs and Indigenous Business in the Pacific, PIDP, East West Centre, Honolulu, HL

ILO. 2004. Supporting growth oriented women entrepreneurs in Ethiopia, Kenya and Tanzania. An Overview Report Prepared by International Labour Office (ILO), SEED Programme and African Development Bank (AFDB) Private Sector Department (OPSD) July, p 7

JALBERT, S.E. 2000. Women entrepreneurs in the global economy study, Centre for International Enterprise, Washington, DC

KAUR, S AND SIDHU, K. 2006. Development of entrepreneurship among rural women. Journal of Social Science. Volume 13, issue 2, pp 147-149

KOLAOLE, O.D. 2002. Crucial factors associated with participatory rural employment promotion in some selected communities of Lagos State. Technical report.Lagos: Lagos State Government Center for Rural Development. pp 1-54

KURATKO, D.G AND HODGGETS, R.M. 2001. Entrepreneurship-A contemporary approach. New York, U.S.A: Harecourt College Publishers

MANUEL, T. 2009. South African Budget Speech. Parliament, Cape Town. etv, breaking news, 11February

MAPUNDA, G. 2005. Traditional Societies and Entrepreneurship: A analysis of Australian and Tanzanian Businesses. Journal of Asia Entrepreneurship and Sustainability. Volume 1, Issue 1, pp 1-23

NORTHWEST regional development agency. 2008. Northwest women's enterprise action plan.

RUTASHOBYA, L. 2001. Female entrepreneurship in Tanzania: Constraints and strategic considerations. Proceedings of the International Academy of African Business and Development, Volume 4, No 7. pp 31-37

SINGH, G and BELWAL, R. 2007. Entrepreneurship and SMEs in Ethiopia: Evaluating the role, prospects and problems faced by women in this emergent sector. Volume 23, No. 2, pp120-136

TORIMIRO, D.O AND KOLAWOLE, O.D. 2005. Participatory rural entrepreneurship development for the grassroots transformation: A factor analysis. Journal of Entrepreneurship and Small Business, volume 18, issue 3, pp 193-198

Seda CONTACT DETAILS

PROVINCE	OFFICE / LOCATION	ADDRESS	TEL / FAX
EASTERN CAPE	Provincial Office East London	91 Western Avenue Vincent	043 721 1720 (t) 043 721 1721 (f)
	Seda Mount Ayliff Alfred Nzo	Disaster Management Centre, 188 Nolangeni Street, Mount Ayliff 4735	039 254 0555 (t) 039 254 0584 (t) 039 254 0599 (f)
	Seda Amathole East London	No. 25 Saint Georges Str. Southern Wood East London 5201	043 722 1950 (t) 043 722 7582 (f)
	Seda OR Tambo Mthatha	7 th Floor Manpower Bld 18 Madeira str Mthatha 5099	047 531 5075 (t) 047 532 3128 (f)
	Seda Nelson Mandela Metro Port Elizabeth	14 th Floor Starport Bld 140 Govan Mbeki Ave. Port Elizabeth 6000	041 502 2400 (t) 041 582 1344 (f)
	Seda Chris Hani Queenstown	Sasol Complex Cathcart Road Queenstown	045 838 6035 (t) 045 838 5078 (f)
	Seda Cacadu DM Satellite Office (Kouga LM)	Kouga Cultural Centre Cnr Voortrekker & Main Street, Humansdorp	042 291 0966 (t) 042 291 0966 (f)
	Seda Cacadu Satellite Office (Makana LM)	88 Bathurst Street Grahamstown	046 622 2067 (t) 086 690 1974 (f)
	Seda Cacadu Satellite Office (Cambedoo LM)	Town Hall, Church Square, Graaff-Reinet	049 892 2105 (t) 086 698 3418 (f)
	Seda Nelson Mandela Branch Satellite Office	2 Newton Street Uitenhage 6230	041 992 6513 (t) 041 991 1036 (f)
FREE STATE	Provincial Office Bloemfontein	Telkom Bld Phase 2 1 st Floor, Nelson Mandela Road, Bloemfontein 9301	051 411 3820 (t) 051 444 4235 (f)
	Seda Thabo Mofutsanyane Bethlehem	C/O Reichter & Malan Street 1421 Lomond Road Bethlehem 9700	058 303 7162 (t) 058 303 7189 (f)
	Seda Mangaung Bloemfontein	Shop 133 Bloem Plaza Charles Street Bloemfontein 9301	051 477 3281 (t) 051 430 3454 (f)
	Seda Fezile Dabi Kroonstad	37 Buitekant Street Kroonstad	(056) 213 1809 (t) 086 606 9798 (f)

Seda CONTACT DETAILS

PROVINCE	OFFICE / LOCATION	ADDRESS	TEL / FAX
FREE STATE	Seda Metsimaholo Sasolburg	Eric Louw Street Boiketlong, Zamdela Sasolburg 1949	(016) 974 2460 (t/f)
	Seda Xhariep Trompsburg	Shops 2 & 5 70 Voortrekker Street Trompsburg 9806	039 254 0555 (t) 039 254 0584 (t) 039 254 0599 (f)
	Seda Lejweleputswa Welkom	No1 Reinet Bld Buiten Street, Ground Floor Welkom 9460	057 352 1870 (t) 086 666 7044 (f)
	Seda Mantsopa Outreach	38 Joubert Street (Technical Services), Mantsopa Local Municipality, Ladybrand 9745	051 924 1594 (t)
	Seda Neledi Outreach Office	1131 De Beer Street Wepener 9944	051 583 1372 (t)
GAUTENG	Seda National Office Pretoria	The dti Campus Bld G 77 Meintjies Street Sunnyside	012 441 1000 (t) 012 441 2177 (f)
	Seda Tshwane Pretoria	The dti Campus Bld G 77 Meintjies Street Sunnyside	012 441 1100 (t) 012 441 2177 (f)
KWA-ZULU NATAL	Provincial Office Durban	381 Berea Road Durban 4001	031 277 9500 (t) 031 277 9510 (f)
	Seda eThekwini Durban	127 Alice Street Durban 4000	031 308 9900 (t) 031 309 5437 (f)
	Seda Sisonke Kokstad	109 Main Street Kokstad	039 727 1428 (t) 039 727 5049 (f)
	Seda uThukela Ladysmith	33a Dimiara Road Ladysmith	036 631 3325 (t) 036 631 3553 (f)
	Seda Amajuba Newcastle	33 Voortrekker Street New Castle	034 312 9096 (t) 034 315 2768 (f)
	Seda uMgungundlovu Pietermaritzburg	204 Peter Kerchhoff Street Pietermaritzburg 3201	033 264 3100 (t) 033 345 0574 (f)
	Seda uGu Port Shepstone	46 Bisset Street Lot No. 456 Port Shepstone 4240	039 688 1560 (t) 039 684 0271 (f)

Seda CONTACT DETAILS

PROVINCE	OFFICE / LOCATION	ADDRESS	TEL / FAX
KWA-ZULU NATAL	Seda uThungulu Richards Bay	ZCDF Community Park Gate 5, South Central Arterial Alton, Richards Bay	035 797 3711 (t) 035 797 4346 (f)
LIMPOPO	Provincial Office Polokwane	2 nd Floor Suite 6, Maneo Bld 73 Biccard Street Polokwane	015 297 4422 (t) 015 297 4022 (f)
	Seda Capricorn	68 Hans van Rensburg Street 1 st Floor Pharmarama Bld Polokwane 0699	015 290 8720 (t) 015 290 8736 (f)
	Seda Sekhukhune Sekhukhune	2 Van Riebeeck Street PO Box 1553 Groblersdal 0470	013 262 3651 (t) 086 6910 120 (f)
	Seda Vhembe Thohoyandou	Old Mutual Bld Old Group-scheme offices Mphephu Road Thohoyandou	015 962 1679 / 4284(t) 086 631 2234 (f)
	Seda Mopani Tzaneen	27 Peace Street 1 st Floor Prosperitas Bld Tzaneen 0850	015 307 1735 (t) 015 307 2233 (f)
	Seda Modimolle Waterberg	98 Nelson Mandela Drive Desimale Bld Modimolle	014 717 1568 (t) 014 717 3266 (f)
MPUMALANGA	Provincial Office Nelspruit	Suite 102 Bi-water Bld 16 Brander Street Nelspruit 1200	013 755 6046 (t) 013 755 6043 (f)
	Seda Bushbuckridge Bushbuckridge	Stand no A367, Old FNB Bld Main Road Bushbuckridge 1280	013 799 1961 (t) 013 799 1962 (f)
	Seda Nkomazi Malelane	Lorenzo Street, Rotunda Circle Malelane 1320	013 790 1183 (t) 013 790 1798 (f)
	Seda Ehlanzeni Nelspruit	Shop 20 / 21 Nelcity Bld Paul Kruger Street Nelspruit	013 754 4380 (t) 013 754 4389 (f)
	Seda Gert Sibande Secunda	South Wing Govan Mbeki Blg Lurgi Square, Secunda	017 634 4339 (t) 017 631 4005 (f)
	Seda Nkangala Witbank	23 Botha Ave, Hi Tech House Cnr Botha Ave & Rhodes Str Witbank 1035	013 655 6970 (t) 013 655 6986 (f)

Seda CONTACT DETAILS

PROVINCE	OFFICE / LOCATION	ADDRESS	TEL / FAX
NORTHERN CAPE	Provincial Office Kimberly	13 Bishops Avenue Sanlam Bld Kimberly 8301	053 839 5700 (t) 053 839 5711 (f)
	Seda Pixley ka Seme De Aar	Cnr Main & Station Streets De Aar 7000	053 632 7590 / 60 (t) 053 632 7562 (f)
	Seda Frances Baard Kimberly	6 Long Street Cnr Kraynauw & Scholz Street Kimberly 8301	053 807 8060 (t) 053 807 8069 (F)
	Seda Kgalagadi Kuruman	68 Main Road Kuruman	053 714 3160 (t) 053 714 3172 (f)
	Seda Namakwa Springbok	Andia Bld, 18 Voortrekker Rd Springbok	027 718 1850 (t) 027 718 3472 (f)
	Seda Siyanda Upington	Cnr Scott & Hill Streets Old Sanlam Bld 3 rd Floor River City Properties Upington 8800	054 332 2822 (t) 054 332 2835 (f)
NORTH WEST	Provincial Office Rustenburg	187 Joubert Street Rustenburg 0299	014 592 3696 (t) 014 592 3421 (f)
	Seda Bojanala East Brits	No 1 Kerk Street Brits 0250	012 252 0580 / 1 (t) 012 252 0579 (f)
	Seda Southern District Klerksdorp	51 Leask Street West End, 2 nd Floor Klerksdorp 2570	018 462 1376 (t) 018 462 0704 (t) 018 462 1385 (f)
	Seda Dr Modiri Molema Mafikeng	Suite 018 Commissioner Place Cnr Carrington & Victoria Str Mafikeng 2745	018 381 9153915/6/7(t) 018 381 3914 (f)
	Seda Bonjala West Rustenburg	25 Heystack Street Rustenburg 0300	014 592 3696 (t) 014 592 3769 (t) 014 (592 3421 (f)
	Seda Bophirima Vryburg	83 Vry Street Vryburg	053 927 0591 (t) 053 927 0591 (f)
WESTERN CAPE	Provincial Office Cape Town	1 st Floor Akker Park Bld Neels Bothma Street, N1 City Goodwood 7460	021 596 1300 (t) 021 595 1253 (f)
	Seda Cape Town Bellville	Louville Place Vrede Street, 2 nd Floor Bellville 7350	021 949 2227 (t) 021 949 2237 (f)

Seda CONTACT DETAILS

PROVINCE	OFFICE / LOCATION	ADDRESS	TEL / FAX
WESTERN CAPE	Seda Eden George	Entrance A, 1 st Floor Beacon Place, 124 Meade Street George	044 874 4770 (t) 044 874 4870 (f)
	Seda Cape Winelands Stellenbosch	1 st Floor, Eikestad Mall Bird Street Stellenbosch	021 883 9270 (t) 021 883 9277 (f)