

REVOLUTIONISING ECONOMIC GROWTH IN SOUTH AFRICA THROUGH ENTREPRENEURIAL LEADERSHIP

by

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Entrepreneurskap kan gedefinieer word as 'n manier van dink, redeneer, en handel wat geleentheid-gedrewe, holisties in benadering en leierskap gebalanseerd is, en lei tot die skepping, verbetering, realisering en vernuwing van waarde – nie slegs vir die eienaar nie, maar vir al die deelnemers en belanghouers (sowel die gemeenskap).

Die uitstaande kenmerke van suksesvolle entrepreneurs sluit onder andere passie, inisiatief, hoë energie vlakke, lae ondersteuningbehoefte, deursettingsvermoë, floreer in onsekerheid, verantwoordelikheid, probleem-oplossing, oortuigingsvermoë, self dissipline, selfvertroue, en mark-bewustheid in. Alhoewel sommige entrepreneurs met 'n sekere mate van intelligensie, kreatiwiteit en energie gebore word, verseker dit alleen nie 'n suksesvolle entrepreneur nie. 'n Entrepreneur ontwikkel deur die akkumulasie van vaardighede, kennis en ervaringe oor 'n aantal jare.

Alhoewel die Suid-Afrikaanse regering heelwat inisiatiewe in plek het om entrepreneurskap in Suid-Afrika te ontwikkel, het dit nie die gewenste resultate nie, en is daar ruimte vir verbetering. Wanneer Suid-Afrika met die res van die wêreld vergelyk word in terme van die "Global Entrepreneurship Monitor 2002", die "Global Competitiveness Report (2002-2003)", die "World Competitiveness Yearbook (2002)", en die "2002 Human Development Report" van die Verenigde Nasies Ontwikkelingsprogram, ondersteun dit die feit dat groot uitdagings Suid-Afrika in die gesig staar – spesifiek met verwysing na 'n toename in entrepreneuriese aktiwiteit in die land, en die faktore wat nodig is om dit te realiseer.

Empiriese navorsing bestaande uit drie vraelyste (1. "Hoe entrepreneuries is Suid-Afrika?", 2. "Watter vaardighede is nodig vir suksesvolle entrepreneurskap?", en 3. "Wat kan gedoen word om Suid-Afrika se entrepreneuriese status te verbeter?") is aan 'n uitgesoekte steekproef gestuur. Die resultate van die navorsing het getoon dat Suid-Afrika se ekonomiese groei gekoppel is aan entrepreneurskap, en dat die afwesigheid van 'n effektiewe nasionale strategie vir entrepreneuriese ontwikkeling grootendeels die rede vir die huidige ongewenste stand van sake is.

Voortspruitend word 'n nasionale strategie vir entrepreneuriese ontwikkeling dus voorgestel wat die vestiging van 'n sentrale liggaam verantwoordelik vir die totale ontwikkeling van entrepreneurskap in Suid-Afrika – die bestuur en koördinasie van entrepreneuriese ontwikkeling op nasionale vlak wat opleiding en ontwikkeling, proses konsultasie, besigheid ontwikkeling ondersteuning, bemarking en kommunikasie, en finansiering insluit – behels.

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CHAPTER 1

NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

There is growing consensus within South Africa about the importance of entrepreneurship in economic development. Although there have been significant steps taken towards increasing the level of entrepreneurial activity in South Africa, many challenges lie ahead. According to the South African Executive Report 2002 of the Global Entrepreneurship Monitor South Africa ranks 19th overall out of the 37 participating countries in terms of entrepreneurial activity, and in all measures of entrepreneurship ranks lowest of all participating developing countries. Notwithstanding agreement on the importance of entrepreneurship in economic development, why is it then that South Africa finds itself in the position it is? What are the underlying reasons, and how can South Africa improve its overall entrepreneurial activity in order to enhance economic development and competitive position? As custodian of South Africa's economy, what is government's stance on the development of entrepreneurship and what are the levels of buy-in from the private sector?

1.2 PROBLEM STATEMENT

There are many government and private sector initiatives underway to address entrepreneurial development in South Africa. It, however, seems that the desired results are not achieved. This could be mainly attributable to the absence of a national strategy that encompasses stakeholders from both government and private sector. It seems as if everyone is dancing to the beat of his own drum. There is no aligned commitment, nor the existence of a common goal, nor coordination of initiatives on a macro level.

1.3 GOAL OF THE STUDY

The goal of the study is summarised in a main objective and sub-objectives.

1.3.1 Main objective

The main objective of the study is to develop a national entrepreneurial development strategy for South Africa.

1.3.2 Sub-objectives

The sub-objectives in support of the main objective of this study is to:

- Determine South Africa's current entrepreneurial position.
- Determine South Africa's strengths, weaknesses, opportunities and threats in terms of entrepreneurial development.
- Determine the eight system elements (Purpose, inputs, outputs, operating steps, environment, human enablers, physical enablers and information enablers) required for the national strategy.
- Determine whether entrepreneurship will indeed improve South Africa's economic growth.

1.4 SCOPE OF THE STUDY

1.4.1 Field of study

The field of study falls within the subject discipline of entrepreneurship in its widest context, including start-ups and existing firms of all types and sizes.

1.4.2 Geographical demarcation

The study is limited to the Republic of South Africa and encompasses entrepreneurship in general across all sectors of the economy and includes from start-up to existing organisations.

1.5 RESEARCH METHODOLOGY

The research in support of the study consists of a literature study and empirical research.

1.5.1 Literature study

The literature study includes the following:

- A study on the term “entrepreneurship” and the characteristics of an entrepreneur.
- A study of entrepreneurship as driver of economic growth.
- A study on South Africa's performance in comparison with the rest of the world.
- A study of South Africa's current entrepreneurial position and government initiatives.

1.5.2 Empirical research

The empirical study consists of an opinion survey (three questionnaires) across sectors and industries to determine how entrepreneurial South Africa is perceived, what skills are required to be successful at entrepreneurship, and how South Africa could improve its entrepreneurial status.

The results will be graphically depicted per category and per question, as well as collating the results by calculating the arithmetic mean to obtain an overall rating per category.

The development of a national strategy will be based on evaluation of the above and an analysis of South Africa's strengths, weaknesses, opportunities and threats in terms of its entrepreneurial performance with the rest of the world. The strategy will be aimed at addressing skills development, access to finance, business development support, knowledge centre, fostering of an entrepreneurial culture and involvement of previously disadvantaged individuals.

1.6 LIMITATIONS OF THE STUDY

The opinion survey was limited only to educated individuals and subsequently the opinions of less- or non-educated individuals were not gathered. The reason for this approach was to ensure objective, educated opinions and preventing subjective emotional responses. The respondents were selected because of the knowledge, skills and experience in relation to entrepreneurship, training and development, business acumen, leadership, management, and exposure to the world of commerce and industry.

Although respondents are mainly located in Gauteng, they nevertheless operate on a national or international level across industry types.

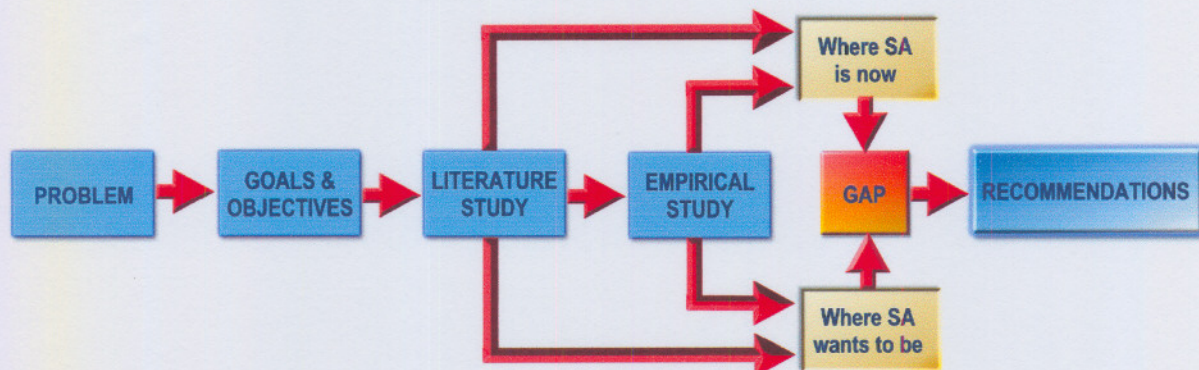
The inclusion of less- or non-educated individuals in the survey might also have contributed to a less accurate picture because of the social context they find themselves in and having a limited view of the area of study as a result thereof.

Further studies in this field are nevertheless recommended to also include people groups excluded from this study.

1.7 LAYOUT OF STUDY

Figure 1.1 below summarises the layout and structure of the study.

Figure 1.1: Structure of the study



- **Entrepreneurship: Literature overview**

Chapter 2 consists of a literature study of entrepreneurship that guided the study, with specific emphasis to the definition of entrepreneurship, the characteristics of an entrepreneur, and entrepreneurship as driver of economic growth.

- **Entrepreneurship in South Africa**

Chapter 3 continues with a literature overview of the state of entrepreneurship in South Africa by looking at South Africa in a global context as well as addressing the current position in terms of previous studies conducted.

- **Empirical research**

Chapter 4 consists of empirical research to determine how South Africans feel about entrepreneurship in South Africa in terms of how entrepreneurial South Africa is, what skills are required for successful entrepreneurship, and what can be done to improve South Africa's entrepreneurial position.

- **Conclusions**

Chapter 5 concludes on the state of affairs and discusses the approach of the national strategy determination, as well as if entrepreneurship will indeed enhance economic growth in South Africa.

- **Recommendations**

Chapter 6 closes the circle with recommendations to improve entrepreneurial activity in South Africa that consists of a national strategy that encompasses skills development, process consulting, business development support, communicating the compelling message, as well as financing of start-ups.

CHAPTER 2

ENTREPRENEURSHIP: LITERATURE OVERVIEW

2.1 INTRODUCTION

Entrepreneurship has become a popular buzzword that layman identify with making money and owning a business. Therefore the meaning of the word is important and a meaningful definition will guide the study. For this reason the literature study will assist to define entrepreneurship and clarify who should be considered an entrepreneur in today's society.

"Entrepreneurship", an English word of French origin, has a long history associated with human activities. Kao (2003) states that the earliest commonly acknowledged definition was in the 1870's; in Carl Menger's words "it is an act of will and supervision." Later, others attempted to make the meaning of the word more commonly acceptable, and it became defined as "one who manages and assumes the risks of a business or enterprise." Still later, scholars suggested that it involved "a desired future state that involves growth or change and a belief that that you can achieve that state", opening the door for founders of non-profit organisations to behave as entrepreneurs.

2.2 DEFINITION OF ENTREPRENEURSHIP

The word 'entrepreneurship' is derived from the French word "*entreprendre*" meaning "to undertake something, to seek opportunities, to fulfil needs and wants by being innovative and starting businesses" (Clark *et al.*, 1993:9). They go on to say that (1993:9) entrepreneurship is the initiation of change, a creative act.

According to Willax (2003) one of the first uses of the word was in the late 1700s by Jean Baptiste Say, an economist who is credited with developing the concept of entrepreneurship. He described an entrepreneur in terms of behaviour. "He is called upon," said Say, "to estimate, with tolerable accuracy, the importance of a specific product, the probable amount of demand, and the means of production; sometimes to employ a great number of hands; again to buy or order raw materials, to combine the

workers, find consumers, to exercise a spirit of order and economy. In the course of such operations there are obstacles to be surmounted, anxieties to be overcome, misfortunes to be repaired, and expedients to be devised."

Stephen Spinelli and John Muller from Babson College defines entrepreneurship "as a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced" (Timmons, 1999:27). Entrepreneurship results in the creation, enhancement, realisation, and renewal of value, not just for the owner but for all participants and stakeholders. At the heart of the process is the creation and/or recognition of opportunities, followed by the will and initiative to seize these opportunities. It requires a willingness to take risks – both personal and financial – but in a very calculated fashion in order to constantly shift the odds to your favour, balancing the risk with the potential reward. Typically, entrepreneurs devise ingenious strategies to marshal their limited resources (Timmons, 1999:27).

Coulter (2003:6) defines entrepreneurship as "the process whereby an individual or group of individuals use organised efforts to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources the entrepreneur currently has."

Webster's New World Dictionary (1979:205) defines an entrepreneur as "one who organises a business undertaking, assuming the risk for the sake of the profit".

Kao (2003) defines entrepreneurship "as doing something new (creative) and/or something different (innovative) for the purpose of creating wealth for the individual and adding value to society. An entrepreneur is a person who undertakes a wealth creating and value adding process, through incubating ideas, assembling resources and making things happen." He concludes that venture founders are entrepreneurs, as are those engaged in creative and/or innovative activities; but they must not merely create wealth for themselves, but add value to society.

Thompson and Strickland (2001:13) describe entrepreneurship in a strategy context as "actively searching for opportunities to do new things or to do existing things in new ways."

In its report, *State Entrepreneurship Policies and Programs*, the Ewing Marion Kauffman Foundation's Center for Entrepreneurial Leadership defines entrepreneurship as "the ability to amass the necessary resources to capitalise on new business opportunities. The term is frequently used to refer to the rapid growth of new and innovative businesses and is associated with individuals who create or seize business opportunities and pursue them without regard for resources under their control. They build something from practically nothing and usually reinvest earnings to expand their enterprise or to create new enterprises. Other words that characterize entrepreneurship include innovative, creative, dynamic, risk, flexible and growth oriented" (Kayne, 1999:3).

Deakins and Freel (2003:3) examined the most important theories of entrepreneurship that are accepted today, and summarised their key insights as in table 2.1:

Table 2.1: Key insights of the most important theories of entrepreneurship

Say	Organiser of factors of production	Catalyst for economic change
Cantillon	Organiser of factors of production	Catalyst for economic change
Kirzner	Ability to spot opportunity	Entrepreneur's key ability is 'creative' alertness
Schumpeter	Innovator	Entrepreneur as 'hero' figure
Knight	Risk-taker	Profit is reward for risk-taking
Casson	Organiser of resources	Key influence of the environment
Schakle	Creativity	Uncertainty creates opportunity for profit

2.3 ARE ENTREPRENEURS BORN OR MADE?

Timmons (1999:47) comments that while entrepreneurs are born with a certain degree of intelligence, creativity and energy, these talents alone do not make an entrepreneur. Rather, an entrepreneur develops by accumulating the relevant skills, know-how, experiences, and contacts over a period of years. The creative capacity to envision and then pursue an opportunity is a direct descendant of years of experience that lead to pattern recognition.

It is, therefore, a myth that entrepreneurs are born and not made (Timmons, 1999:47). Entrepreneurial skills can be learned. The many business schools around the country that promote entrepreneurial education have achieved great results in helping would-be entrepreneurs learn how to build successful enterprises. In addition, many courses

are available to help those in organisations that wish to start and manage entrepreneurial ventures in the most effective ways.

Planning and analysis are learned behaviours that can be successfully taught. Writing a business plan is important for an entrepreneurial venture to be successful and profitable. During the process of writing a plan, the entrepreneur learns new objective thought patterns, and ways to systematically analyse each decision based on how it affects each part of the business, such as the management team, marketing plan, financial strategy, control and operating procedures, and potential growth of the business (FastTrac Planning, 1999).

Contrary to the belief of some people that one's personality is a fixed set of behavioural tendencies, there is evidence suggesting that people can change their behavioural patterns if they earnestly desire to do so (FastTrac Planning, 1999). There is choice: In terms of our locus of control we can believe that we must play the game of life with the cards dealt at birth, or we can believe that we not only call the game we want to play but can also draw new cards until we win.

2.4 THE CHARACTERISTICS OF AN ENTREPRENEUR

By observing both successful and unsuccessful entrepreneurs a wide range of personality traits are noticed. Studies also provide useful clues about the behaviour that is most likely to lead to business success. Conversely, those who have failed in business also provide insight into what to avoid (Timmons, 1999:217).

There are two benefits in studying the traits of entrepreneurs. First, after seeing what it takes to be successful in the entrepreneurial world, one may conclude that he or she should rather consider another career choice. Second, an entrepreneur who decides that he or she has what it takes can develop those traits that seem to be most important.

Several characteristics are exhibited by people who are successful in their entrepreneurial expectations. Some of these traits are so self-evident that little need to

be said about them. Others require more explanation. They are not all of equal importance, and there is some overlap among them:

Desire and passion (Dollinger 2003:44; Lambing & Kuehl, 2003:26): Unquestionably, a successful entrepreneur must fervently want to be one. If someone doesn't want success passionately, he or she probably won't do the things it takes to be successful. Desire is the foundation that supports most of the other characteristics that follow.

Initiative (Coulter, 2003:19): In the entrepreneurial world, nothing happens unless it is made to happen. Entrepreneurs must have the initiative to begin operations. The world is full of talkers and very few doers. Truly, initiative has to be one of the key characteristics of successful people. Of course, many unsuccessful people also have shown initiative; they have gone into business but did not do well. They did show initiative, but that was not enough. Initiative is a daily, even an hourly matter. Entrepreneurs must initiate action. Many unsuccessful business people procrastinate about taking action on critical matters. Successful ones "take care of business," all business, and know that no one else will do it for them.

Energy (Timmons, 1999:225): Energy levels obviously vary tremendously among people. Sometimes it is a matter of health; healthy people definitely have more energy than those who suffer from some malady. Here is not the place to discuss the virtues of living a healthful life, but health is a vital factor in entrepreneurial success. Sometimes energy seems to be more a matter of temperament. Some people are just "laid back." They don't care to exert themselves any more than necessary. Such people should think twice about entrepreneurial endeavours. High energy levels are most common among successful entrepreneurs.

Low support needs (Kauffman Centre for Entrepreneurial Leadership, 1999): When people work for the typical large corporation, they are surrounded with others ready to support their activities. They have secretaries, researchers, accountants, and all sorts of staff to assist them with whatever missions they have been charged with. Entrepreneurs, particularly one starting a new venture, have little support. One of the commonly observed weaknesses in people who leave the corporate world for entrepreneurial endeavours is that they just don't know how to operate in their new

environments. They don't understand that few entrepreneurial enterprises can afford much in the way of staff support. In trying to impose their habitual way of managing upon the entrepreneurial organisation, they can do considerable damage.

Thriving on ambiguity (Lambing & Kuehl, 2003:27): Structure and certainty are seldom found in the entrepreneurial world. An entrepreneur must exist and prosper in an environment that is confusing and has few answers. There are so many alternatives from which to choose and few people know which to select and which to shun. People who cannot accept the ambiguous world as it is and thrive in it should rather stay out of owning businesses. True entrepreneurs thrive on ambiguous situations, for they present great opportunities for exploitation. While others are frozen by the confusion, entrepreneurs push forward with confidence that somehow they will find ways to cope with whatever problems they encounter.

Perseverance (Timmons, 1999:220): Call it perseverance, mental toughness, determination, or tenacity – successful entrepreneurs are determined to win, to be successful. They don't quit easily. Determination is one of the key factors that lead to a winning attitude. Entrepreneurs must make up their minds that they will not be beaten. They will not allow that to happen. Entrepreneurs report, time and again, that the only thing that forced them to make a success of their businesses when things looked hopeless, was that they just could not allow themselves to throw in the towel.

Responsibility (Bolton & Thompson, 2003:63): Entrepreneurs realise that if they are to be successful, they are the only ones who can make success happen. No one else is going to do it for them. Until people accept full and total responsibility for their futures, they won't have much of a future. Successful entrepreneurs take full responsibility for their lives with the hordes of people in large organisations who spend most of their days avoiding responsibility, who don't even want to be responsible for their own lives. They want the company or the government to be responsible for them. "Take care of me!" Such attitudes quickly lead to the poorhouse for people in their own businesses. Entrepreneurs must take care of their own businesses. Nobody else will!

Problem solving (Bates, 2002:3): Running a business consists of series of problems and dilemmas that must be solved and managed. If people don't like solving

problems, particularly ones that they may know little about, then an entrepreneurial career might be difficult for them. Business owners often spend time troubleshooting, trying to locate the problems that are plaguing their businesses and then doing something about them. People who are not able to face problems and solve them without allowing the problems to affect them personally will be unhappy in entrepreneurship.

Persuasiveness (Kaplan, 2003:13): Successful entrepreneurs are usually persuasive people. They must persuade other people to do all sorts of things for them, such as lend them money, work hard for them, buy from them, and sell to them on favourable terms. Persuasion is their main tool. An entrepreneur must be able to persuade people to do what he or she wants them to do. If a person is not adept at the art, then he or she should make certain to have someone on the team who is. Selling skills are necessary in the organisation, or else it will be lost. Negotiating skills is another application of persuasion. Certainly, entrepreneurs must be able negotiators to be successful in business. The key to negotiation is persuasion. Entrepreneurs must be able to “sell” their thoughts to the other person.

Self-discipline (Timmons, 1999:220): There are many things that must be done in business that people don't want to do. Some things are just not the type of work they enjoy, while some things are quite enjoyable. A businessperson may play golf with a customer on a beautiful day when he'd be better off working with a large account at the office. Entrepreneurs must be able to force themselves to do what must be done. If a person can't control him or herself, who can?

Self-confidence (Lambing & Kuehl, 2003:26): Obviously, if people aren't confident of their abilities, they aren't likely to go into their own business. It takes a great deal of self-confidence to break away from the pack and go it alone. It is, therefore, not surprising to find that most successful entrepreneurs radiate self-confidence. However, many people initially lack self-confidence. They are very scared of failure. The unknown, the future, is somewhat fearful to most rational people, but the big difference between entrepreneurs and others is that entrepreneurs are able to control their fears and go ahead with the venture. They believe in themselves and have confidence that somehow they will manage whatever problems arise.

Market awareness (Kaplan, 2003:12): Entrepreneurs are aware of what is going on in the market. They are attuned to it. They take their directions from the market. Perhaps an entrepreneur's most significant characteristic is his or her sensitivity to market opportunities. It is true that many people can be surrounded with tremendous market opportunities yet fail to perceive their existence. One mark of entrepreneurs is that at every turn they see an opportunity to exploit.

2.5 ENTREPRENEURSHIP AS DRIVER TO ECONOMIC GROWTH

According to Silbiger (2000:281) Harvard economist Joseph Schumpeter saw the entrepreneur as the crucial figure in economic life.

Mike Herrington, who heads the Centre for Innovation and Entrepreneurship at the University of Cape Town's (UCT's) Graduate School of Business, says: "Entrepreneurship is one of the chief agents of change operating within the global economic system. It is widely accepted that the more successful companies are those that engage the most in entrepreneurial activity" (Business Day, 2001).

Timmons (1999:5), states that entrepreneurship is arguably the single most powerful force to create economic and social mobility.

In its review of regulatory and other obstacles, the South African Business Chamber (SACOB) (1999:3) writes that the growth and development of the small, medium and micro-enterprise sector is acknowledged by most interest groups and policy-makers as being of critical importance to South Africa's ability to address the serious problems of unemployment, income inequality, economic concentration, lack of international competitiveness, and low economic growth which currently confront it.

In their executive summary on the characteristics of individuals starting businesses in America, the Panel Study of Entrepreneurial Dynamics (PSED) (Reynolds *et al.*, 2002:4) also states that new business formation is one of the most important economic and social activities for any society expecting economic growth and innovation.

The GEM 2002 (Reynolds *et al.*, 2002:7) further reports that evidence continues to accumulate that the national level of entrepreneurial activity has a statistically significant association with subsequent levels of economic growth... (2002:24) indicate that changes in the economic structure and market processes within a country leading to economic growth may occur more quickly when an active entrepreneurial sector is available to implement such changes.

Corman *et al.* (1996:43), in their study comparing recession and expansion periods, states that small business start-ups created the groundwork for the Massachusetts miracle and the New England turnaround in the 1980s. It was the willingness of small businesses to form and expand that kept the economy strong (Lamp, 1988). They go on to say that Birch (1987) found that the keys to job creation are entrepreneurial firms. Economies that provide the proper environment for start-ups, and existing firms to expand, grow and flourish whereas those that fail to provide such an environment languish. According to them Porter (1991) contended that the economic imperative is the need to create vast numbers of jobs. With large businesses downsizing, rightsizing, and reengineering, many people are looking to small business as a means of economic expansion.

According to the Commission of European Communities' summary report on the public debate following the Green Paper, 'Entrepreneurship in Europe', entrepreneurship drives innovation, competitiveness, job creation and growth. It allows new innovative ideas to turn into successful ventures in high-tech sectors and can unlock the personal potential of disadvantaged people to create jobs for themselves and find a better place in society (2003:3).

Manuel (1995:6) comments that small, medium and micro-enterprises (SMMEs) represent an important vehicle to address the challenges of job creation, economic growth and equity in South Africa, and throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways.

CHAPTER 3

ENTREPRENEURSHIP IN SOUTH AFRICA

3.1 INTRODUCTION

Alec Erwin, Minister of Trade and Industry in his budget speech for the National Assembly on 21 May 2002 (Erwin, 2002:1) commented that, "Today, I would like to pay tribute to South Africa's entrepreneurs, to those people who take risks to create employment, generate value, and contribute to our economic success. These are the people that are building new economic enterprises and they give us all cause for hope."

According to the South Africa Yearbook (2003:149), South Africa is the most advanced economy on the African continent. Blessed with a wealth of natural resources, the country contains wide disparities of wealth, with obvious implications for broader socio-political policy directions. South Africa's economy displays many world-class features that include a sophisticated financial and physical infrastructure, good telecommunications and energy supply networks, and one of the top ten stock exchanges in the world. At their best, South African companies are competitive with the worlds biggest and best. The challenge is to translate this into levels of investment high enough to promote an economic growth large enough to reduce the country's substantial unemployment levels.

The Department of Trade & Industry in their Medium Term Strategic Plan: 2002-2004 (2002:3) adds by commenting that there is clear evidence of a growing ability to compete in demanding international markets, shown by SA's better export performance and underpinned by significant growth in productivity. However, output, investment and particularly employment growth have been far from satisfactory.

There is increasing consensus within South Africa about the importance of entrepreneurship in economic development. Although there have been significant steps taken towards increasing the level of entrepreneurial activity in South Africa, many challenges lie ahead (Foxcroft *et al.*, 2002:4).

3.2 SOUTH AFRICA VERSUS THE REST OF THE WORLD

3.2.1 The Global Entrepreneurship Monitor 2002

The fourth international assessment of entrepreneurial activity has been completed with 37 countries involved in the 2002 Global Entrepreneurship Monitor programme. GEM 2002 marks South Africa's second year of participation in this global project that explores the relationship between entrepreneurship and economic development.

International comparisons of the 37 participating countries in Global Entrepreneur Monitor (GEM) 2002 South African Executive Report (Foxcroft *et al.*, 2002:4) show that South Africa ranks:

- 19th in overall entrepreneurial activity with 6.54% of the adult population involved in an entrepreneurial venture established since 1999. This rate is the lowest of all the developing countries participating in GEM (Thailand, India, Chile, Argentina, Brazil, Mexico and South Africa).
- 15th in start-up activity (a start-up is a business that has not paid salaries and wages for longer than three months), with just under 5% of the adult population involved in starting a business.
- 29th in new firm activity (a new firm is a business that has paid salaries and wages for longer than three months but less than 42 months), with only 2% of the adult population involved in new firms.
- 9th in necessity entrepreneurship (a necessity entrepreneur is involved in a new business because he/she has no other choice for work), 2.38% of the adult population are necessity entrepreneurs.
- 29th in opportunity entrepreneurship (an opportunity entrepreneur is involved in a new business to pursue an opportunity), 3.3% of the adult population are involved in pursuing exploitable opportunities.
- In all measures of entrepreneurship South Africa rank lowest of all developing countries in GEM.
- South Africa is in the lowest quartile of all GEM countries in two key measures, namely opportunity entrepreneurship and new firm activity.

3.2.2 The Global Competitiveness Report (2002 – 2003)

The Global Competitiveness Report published by The World Economic Forum is widely recognised as the world's leading cross-country comparison of issues relating to economic competitiveness and growth, and consists of two main indices namely the Growth Competitiveness Index and the Microeconomic Competitiveness Index.

The Growth Competitiveness Index:

The Growth Competitiveness Index (GCI) is based on three broad categories of variables that are found to drive economic growth in the medium and long term: technology, public institutions, and the macroeconomic environment (Cornelius, 2003:xiii). South Africa ranked 32nd out of 80 participating countries (Cornelius, 2003:xv) on the overall GCI – two positions up from the previous year when it ranked 34th. In terms of the three categories, South Africa's rating was as follows (Cornelius, 2003:xvi):

- Technology Index: 38th
- Public Institutions Index: 34th
- Macroeconomic Environment: 30th

The Microeconomic Competitiveness Index:

The Microeconomic Competitiveness Index (MICI) examines the underlying conditions defining the sustainable level of productivity in each of the 80 countries covered in the Report (Cornelius, 2003:xvii). Productivity and the creation of wealth are rooted in the sophistication of companies and operating practices as well as in the quality of the microeconomic business environment in which a nation's firms compete. As important as the macroeconomic, political, and legal contexts are, unless there is appropriate improvement at the microeconomic level, other reforms will not bear full fruit. South Africa ranked 29th out of 80 participating countries (Cornelius, 2003:xv) – four positions down from the previous year when it ranked 29th. In terms of the two categories of the MICI, South Africa's ratings were as follows (Cornelius, 2003:xviii):

- Company Operations Strategy Ranking: 31st
- Quality of National Business Environment Ranking: 33rd

3.2.3 The World Competitiveness Yearbook (2002)

The World Competitiveness Yearbook (WCY) is a renowned study on the competitiveness of nations that assesses and ranks how a nation's environment sustains the competitiveness of its firms. The WCY measures and compares how countries are doing in providing firms with a climate that sustains the domestic and global competitiveness of the firms that operate in their borders.

The WCY 2002 (Garelli, 2003) analysed and ranked 49 nations using 290 criteria underwritten by two types of data: two-thirds are hard data - economic and other statistics that come from international, regional, national and other organizations; and one-third are survey data - statistics about competitiveness that are compiled from the WCY Annual Executive Opinion Survey. It is essential to use these two types of data so as to capture both competitiveness as it is measured (hard data), and as it is perceived (survey data).

South Africa's overall ranking was 39th out of 49 participating countries – three positions up on the previous year when it ranked 42nd. As far as the rankings go in terms of the 4 categories, South Africa scored as follows:

- **Business efficiency:** Extent to which enterprises are performing in an innovative, profitable and responsible manner = 30th (32nd in 2001).
- **Economic performance:** Domestic economy = 38th (45th in 2001). Macro-economic evaluation of the domestic economy = 46th (47th in 2001).
- **Government efficiency:** Extent to which government policies are conducive to competitiveness = 36th (38th in 2001).
- **Infrastructure:** Extent to which basic, technological, scientific and human resources meet the needs of business 42nd (46th in 2001).

3.2.4 The United Nations Development Programme's 2002 Human Development Report

The *Human Development Report* (United Nations Development Programme, 2002:v) is first and foremost about the idea that politics is as important to successful development

as economics. Sustained poverty reduction requires equitable growth – but it also requires that poor people have political power. And the best way to achieve that in a manner consistent with human development objectives is by building strong and deep forms of democratic governance at all levels of society.

South Africa's rating on the Human Development Index (HDI), a measure devised by the United Nations Development Programme (UNDP), which reflects a broader set of factors than per capita gross domestic product (GDP), has been on the decline over the past five years. South Africa is ranked 107th (*“low human development”*) out of 173 countries listed in the index (UNDP, 2002:151), and represents a drop of three places since last year. Its ranking has also fallen by 19 places since 1990.

In an unusual departure from economic themes, the 2002 report focused on what it calls “deepening democracy”, covering themes such as the link between governance and development.

Of specific significance to this research paper is commitment to education in terms of public spending, and literacy & enrolment, two criteria in the report. According to the report (UNDP, 2002:180), commitment to education (public spending) for the period 1995 to 1997 was 7,6% of Gross National Product (GNP), and 22% of Total Government Expenditure (G) of which 43,5% went to Pre-primary and Primary education, 29,5% to Secondary education, and 14,3% to Tertiary education. The report further stated (2002:184) that for the year 2000, the adult literacy 85,3% of the population aged 15 and over, and the net primary enrolment ratio for 1998 was 100%. The net secondary enrolment ratio was not available. A concerning fact, however, is that tertiary students in science, math and engineering as percentage of all tertiary students for the period 1994 to 1997 was only 18%.

3.3 SOUTH AFRICA'S CURRENT ENTREPRENEURIAL POSITION

3.3.1 The Global Entrepreneurship Monitor 2002

The GEM 2002 report (Reynolds *et al.*, 2002) is the point of departure to put the spotlight on South Africa's current entrepreneurial position, as it can be regarded as the most credible research document in the study of global entrepreneurship and

entrepreneurial activity. The following extracts from the South African Executive Report (Foxcroft *et al.*, 2002) are of significant importance to this research paper:

- Start-ups are estimated to have created 140,000 jobs and new firms are estimated to have created nearly one million jobs in South Africa between January 1999 and July 2002.
- To increase economic growth and employment creation, South Africa needs a higher proportion of entrepreneurs to progress beyond the start-up phase.
- The key factor which influences whether or not an entrepreneur progresses beyond the start-up phase is education.
- Education is strongly associated with rates of new firm activity. Entrepreneurs with a matric and/or tertiary education are, on average, more likely to be able to take a new venture beyond the start-up phase. They are also likely to employ more people.
- Increasing the proportion of young people who obtain matric is likely to increase success rates of start-up activity and have a positive impact on job creation.
- Increasing access to and success in secondary and tertiary education will ensure a higher rate of entrepreneurial activity among future generations of South Africans.
- Entrepreneurs in the informal sector (those with unregistered businesses) account for 88% of all businesses in disadvantaged communities. Entrepreneurs in the formal sector (those with registered businesses) account for the remaining 12%.
- Informal entrepreneurs on average employ 0.8 people whereas formal entrepreneurs employ on average 7.2 people. Formal businesses account for 56% of all employment in privately owned businesses in disadvantaged communities.
- There are significant differences in the constraints on formal and informal entrepreneurs in disadvantaged communities. Consequently, more effective targeting of support and resources to these two groups of entrepreneurs is required to ensure that appropriate business support is accessible and properly focused on their respective needs.
- The biggest concern is the lack of core skills among entrepreneurs, i.e. financial literacy, record-keeping and marketing. There is an urgent need to introduce financial literacy and basic business skills development in primary, secondary and tertiary education.

- In the short to medium term, improving the policy environment and the quality of business services will start to address the key obstacles facing entrepreneurs, particularly those in disadvantaged communities.
- Entrepreneurs in the formal sector are hindered by the tax compliance process which imposes a heavy administrative burden on young firms. There is a great need to reduce the administrative burden of compliance on firms in the early stage of development by introducing three-monthly cycles for payment of PAYE, skills development levy and UIF.
- Business support services for registered businesses, particularly those provided by government, are often inaccessible or of poor quality. We believe that the relevant public authorities urgently need to develop the capacity to raise the quality of support services delivered to entrepreneurs. Implementation of successful government programmes depends on private sector partnerships and the involvement of experienced and successful entrepreneurs at all levels in the process.
- Due to the large number of entrepreneurs in the informal sector and their location-specific needs, servicing these entrepreneurs represents an enormous challenge. This group of entrepreneurs is the least well-served in South Africa, with services being inappropriate or inaccessible. We believe that the majority of entrepreneurs in the informal sector would be best serviced through social welfare rather than business support. Business support services should target only those informal businesses that show real initiative and have the potential to become registered.
- A micro-finance industry that can operate effectively on a large scale to support the informal sector would enable a greater number of opportunity entrepreneurs to rise up from the informal sector. This micro-finance industry should be more oriented to production rather than consumption.
- Reducing the burden of tax compliance would also encourage entrepreneurs at the higher end of the informal sector to register their businesses.
- A more conducive climate and stronger business skills will go a long way to prolonging the life of start-ups to the point where they start and continue paying salaries and wages.
- Entrepreneurship needs to become an integral and accepted feature of economic and personal life so that increasing numbers of South Africans recognise their own

entrepreneurial potential. Effective and targeted action will result in South Africa reaping growing economic benefits from its entrepreneurs (Foxcroft *et al.*, 2002).

3.3.2 Government initiatives

A study of South Africa's entrepreneurial position would be incomplete without taking cognisance of government's initiatives and actions in terms of entrepreneurial development.

Since the elections of April 1994 the issues of economic empowerment and growth have been placed high on the agenda of the Government of National Unity of South Africa. With millions of South Africans unemployed and underemployed, the government has no option but to give its full attention to the fundamental task of job creation, and generating sustainable and equitable growth (Manuel, 1995:6).

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa tabled in Parliament on 20 March 1995 represented government's thinking about what it can contribute to the process of stimulating small, medium and micro-enterprises, as government believed that the private sector is the real engine of sustainable and equitable growth in South Africa. Government aired the view that – with the appropriate enabling environment – SMMEs in South Africa can make an indelible mark on the South African economy. The stimulation of SMMEs was seen as part of an integrated strategy to take South Africa's economy onto a higher road - one in which the economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes (Manuel, 1995:6).

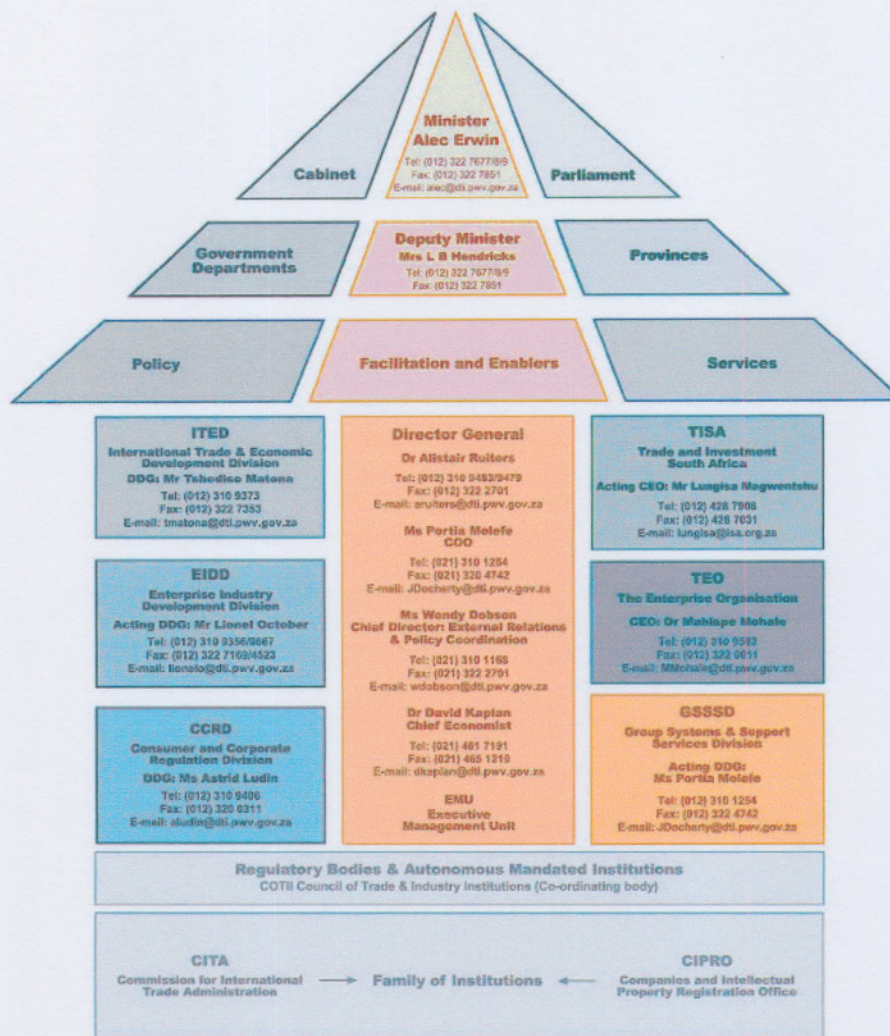
The ten key principles underlying the government's national small-business strategy embodied in the White Paper are as follows (Government Gazette 16317, 1995:24):

1. The strategy is based on a joint vision for big, medium and small business in South Africa.
2. All the segments of the small business sector - survivalist, micro-, small and medium enterprises - need attention.

3. The business efficiency and competitiveness of the whole small enterprise sector has to be developed, with due recognition of social, financial and other compliance standards relevant to an internationally competitive economy.
4. An integrated support strategy has to give attention to both the supply and demand side of small business activities.
5. Black advancement in the enterprise sector is a key factor in all spheres of the strategy; special emphasis also falls on other marginalized or disadvantaged groups.
6. The scarcity of public funds demands careful prioritisation of support programmes and the skilful matching of different resources.
7. Support policies will be sector-focused and targeted with application of public funds and full recognition of the market orientation of our economy.
8. The institutional framework for small business support has to be restructured in order to reflect the evolving institutional diversity, the provincial thrust of policy implementation and effective bottom-up and top-down co-operation and co-ordination.
9. Ultimate responsibility for the national strategy rests with the Department of Trade and Industry.
10. The private enterprise sector, co-operatives, NGOs, business associations and foreign assistance programmes all have a critical role to play in an integrated small business strategy.

Because ultimate responsibility for the national strategy rests with the Department of Trade and Industry, the focus should necessarily be on its initiatives. The Department of Trade and Industry (DTI) aims to improve the lives of South Africa's economic citizens (Department of Trade and Industry, 2002:4). Its core business is the economic transformation of South Africa, promoting racial and gender equity, sustainable economic development, increased investment and jobs. Figure 3.1 provides an overview of the DTI structure.

Figure 3.1: Department of Trade and Industry Structure (DTI, 2002:3)



The South African Yearbook (2003:155) further states that the aim of the DTI is to facilitate sustainable economic activity and employment for all South Africans through higher levels of investment and of exports, increased access for South African products in international markets, to grow enterprises and help define economic policies, and to create a fair, transparent, competitive and efficient market-place for domestic and foreign businesses, as well as for consumers. The key objectives of the Department are to:

- grow investments and exports;
- grow markets for South African products abroad;
- grow small, medium and micro enterprises (SMMEs);
- grow women-owned enterprises;

- redress inequities in the economy, through bringing the previously disadvantaged into the mainstream;
- grow the Southern African Development Community (SADC) region and assist with the New Partnership for Africa's Development (NEPAD);
- reduce geographic/spatial development inequalities by spreading investments over the provinces; and
- create a fair and efficient market-place for business and consumers alike.

3.3.2.1 International trade and economic development

The International Trade and Economic Development (ITED) Division of the Department has as its central brief increasing South Africa's access to markets world-wide, by negotiating international trade agreements, if possible on preferential terms. At the same time, ITED seeks to ensure that the country's commitments are honoured in the multilateral, rules-based trading system underpinned by the World Trade Organisation (WTO). Dismantling barriers to trade, especially those barriers faced by South African exporters, is a critical component of any economic strategy that promotes sustainable growth. ITED's global economic strategy considers sustainable growth as its departure point. It is not developed in isolation but is part of South Africa's broad industrial strategy (SA Yearbook, 2003:155).

3.3.2.2 Export and investment promotion

A central task of the Department of Trade and Industry is to promote value-added exports and to attract investment. The vision is one of a restructured and adaptive South African economy, characterised by growth, employment and equity (regional, spatial, gender and racial). The Department is continuing to shift its focus from demand-driven to supply-side driven measures, and to increase its focus on SMME development. The emphasis is also on customer-defined assistance. The new suite of incentives also relies on private-sector interventions, and affects a wider range of sectors, such as tourism, agribusiness, biotechnology, cultural industries and other priorities identified by government.

Old manufacturing support schemes, such as the Tax Holiday Scheme, the Small, Medium Manufacturing Development Programme, the Regional Industrial Development Programme and the Simplified Regional Industrial Development Programme are being replaced with a suite of six incentives, some of which are still being finalised. The components of the suite are:

- Small Medium Manufacturing Enterprise Development Programme.
- Skills Support Programme.
- Critical Infrastructure Facility.
- Industrial Development Zones (IDZs).
- Foreign Investment Grant.
- Strategic Investment Programme.

More attention will be paid to the neglected and hard to reach, but numerically significant, micro-enterprise sector. A Micro Investor Programme is under way, as well as the South African Women Entrepreneurs' Network, which caters more broadly for women in business in all sectors, alongside the Technology for Women in Business (TWIB) Programme. Schemes such as the Competitiveness Fund allocate 48% of their spending to SMME projects, while the revised Export Marketing and Investment Assistance (EMIA) Programme also focuses on SMMEs, with 68% of its funds going to this sector (SA Yearbook, 2003:163).

3.3.2.3 Trade and Investment South Africa (TISA)

TISA is the premier agency for marketing South Africa internationally. The core business of TISA is the growth of South Africa's exports and the attraction of investment to this country. To do this as part of South Africa's national economy strategy requires a focused approach, identifying longer-term scenarios and targeting key growth sectors for high-growth and value-added sectors. TISA operates a number of units dedicated to specific aspects of what is essentially a business process rather than a once-off event. Sector specialists and strategic analysts work together to oversee targeted export incentives. By mid-2002, there were seven sector-marketing strategies in place (SA Yearbook, 2003:163).

3.3.2.4 Enterprise development and competitiveness

The Department of Trade and Industry's Enterprise and Industry Development Division (EIDD) has as its particular concern moving trade and industrial policy in South Africa towards an internationally competitive status, capitalising on the country's competitive and comparative advantages. The emphasis is also on the worldwide trend towards knowledge-intensive economies, and on creating an environment for vigorous enterprise development through the development of suitable policies and strategies. Special attention is also given, as in the case of exports and investment, towards black economic empowerment (BEE) and regional growth within the SADC.

By mid-2002, the Department had approved 78 applications to the amount of R53,7 million as part of the Support Programme for Industrial Promotion (SPIP). Some 39 projects to the tune of R28 million had been completed. The SPIP is designed to promote technology development in manufacturing industries in South Africa through support for innovation of competitive products and/or processes. The SPIP, funded by the Department and administered by the Industrial Development Corporation (IDC), offers two schemes, namely the Matching Scheme and the Feasibility Scheme. The Matching Scheme gives a grant of 50% of the actual direct costs incurred in development activity, up to a maximum grant amount of R1,5 million per project. The Feasibility Scheme supports the preparation of a feasibility study for potentially innovative projects by means of a grant of 50% of the costs of a consultant. The grant is limited to R30 000 and only SMMEs qualify for support (SA Yearbook, 2003:165).

3.3.2.5 Manufacturing

Manufacturing is increasingly at the heart of the South African economy as it learns to compete effectively in a global context. The Department's Integrated Manufacturing Strategy sets out the framework for South Africa's economic strategies. It takes a systematic approach towards eliminating constraints on the South African economy and improving its efficiency. At the core of this is knowledge intensity, which is increasingly becoming the centre of international competitiveness. The sectors to watch include information communication technology (ICT), agro-processing, biotechnology, chemicals, textiles with value added, tourism, craft and cultural

industries, and the service sectors in general. In terms of South Africa's Micro-economic Reform Strategy, launched by President Thabo Mbeki in early 2001, and refined by the Department, a new set of aims is emerging:

- a sustainable and growth-oriented economy;
- continued expansion of global trade;
- capacity within the economy to meet basic needs and expand exports;
- increased levels of savings and investment; and
- capacity in the State to lead and act effectively.

This in turn implies a number of strategic choices with regard to encouraging technology and innovation, access to finance, an integrated human resources development strategy, and attention to the efficiency of input sectors to the economy, with an eye on lowering the costs of doing business. South Africa's manufacturing sector growth has averaged 4% per annum every year since 1994 in terms of production volumes. By late 2001, it was growing at over 5%. Key functions of the Department of Trade and Industry in manufacturing are: supporting increased investment in the manufacturing sector enhancing the establishment of new manufacturing entities supporting new sustainable and profitable manufacturing entities (SA Yearbook, 2003:167).

3.3.2.6 Small, medium and micro enterprises

The Enterprise, Commerce and Industry Development Division of the Department of Trade and Industry is responsible for policy and strategy development, programme development, monitoring and evaluation, consultation and relationship-building in the areas of Black Economic Empowerment (BEE) and enterprise development, Small, Micro, & Medium Enterprises (SMME's), cooperatives, business regulation, consumer protection and sector development (SA Yearbook, 2003:168).

The central focus is on the Department's approach to the issues of BEE, gender equity (women-owned enterprises), and an emerging focus on co-operatives as an alternative mechanism for addressing the need for emerging entrepreneurs to pool resources to compete effectively. The Department has new ventures in each one of these areas,

including TWIB, attention to legislative and regulatory reform, and a new BEE strategy cross-cutting all the Department's programmes.

Small businesses in South Africa absorb more than half the people formally employed in the private sector and contribute about 42% of the country's GDP. There are an estimated three million micro enterprises in the country. The key objectives of government's National Strategy for Small Business (Government Gazette 16317, 1995:17) are to:

- create an enabling environment for small enterprises;
- level the playing fields between bigger and small businesses, as well as between rural and urban businesses;
- facilitate greater equalisation of income, wealth and earning opportunities, and to address the legacy of apartheid-based disempowerment of black business;
- support the advancement of women in all business sectors;
- create long-term jobs;
- stimulate sector-focused economic growth;
- strengthen cohesion between small enterprises; and
- prepare small business to meet the challenges of an internationally competitive economy.

In a media briefing in February 2002, the Minister of Trade and Industry said that a more sectoral approach to small business development would be adopted in accordance with the Department's decision to work specifically on the development of sectoral strategies. Amendments to the National Small Business Act, 1996 (Act 102 of 1996), were introduced early in 2003. These amendments provide for the establishment of a voice for small business and a revision of the current definition of a small business and of the mandates of the institutions established to support the small business sector.

Other initiatives to support small business include the consolidation of existing successful programmes such as Ntsika's Mentorship Programme, assistance with entering export markets and the expansion of local infrastructure and support for the

provision of business development services. The highly successful Manufacturing Advisory centres have been expanded in partnership with provinces.

3.3.2.7 Institutional support framework

- **Ntsika Enterprise Promotion Agency:** Ntsika's mission is to render non-financial support services to the SMME sector through a broad range of intermediaries. This is achieved through initiatives in the areas of management and entrepreneurship development, marketing and business linkages, research and business development services and targeted assistance. The achievements of Ntsika can be categorised into capacity-building of the retail distribution network and direct services to SMMEs through these retailers.

According to Ntsika's annual report, the total number of Local Business Service centres accredited is 72. A total of 3 979 SMMEs were established through various Ntsika programmes. Ntsika also has assisted 797 445 SMMEs since its launch, and provided training to over 100 074 entrepreneurs.

The Trade and Investment Development Programme is a three-track programme that assists a potential exporter to eventually become a competitive and fully fledged exporter. Ntsika also has an active Small Exporter Development Programme in place (SA Yearbook, 2003:169).

- **Khula Enterprise Finance:** Khula is a wholesale agency, which provides financial support for small businesses through intermediaries. Its financial products include loans, a national credit guarantee scheme, grants, institutional capacity-building, equity funds and mentorship schemes.

The achievements of Khula can be categorized into support to financial intermediaries as retail distribution networks and direct services to SMMEs. Under the first category, some 2 800 bank branches have access to the Standard and Emerging Credit Guarantee schemes. Credit guarantees have been issued to the value of R141 million. In addition, Khula is targeting micro business through 30 Micro Credit Offices in all nine provinces. Khula also participates in the provincial

equity funds and has spent R5 million to partly fund joint ventures, expansion and re-capitalisation.

The Thuso Mentorship Network provides entrepreneurs with pre-loan business plans and post-loan support in the form of technical expertise management (SA Yearbook, 2003:170).

- **National Co-ordinating Office of the Manufacturing Advisory Office (NAMAC):** NAMAC's role is to supply high-quality advisory and information services to new and existing SMMEs to ensure improvement in their quality, competitiveness and productivity. NAMAC has offices in all nine provinces, and in 2001/02 alone assisted 315 enterprises (SA Yearbook, 2003:170).
- **Technology for Women in Business (TWIB):** This Department-initiated project aims to enhance the use of technology by women in business, promote and nurture innovation among women, create role models for other women, and encourage young girls and women to choose careers in science and technology (SA Yearbook, 2003:170).
- **NEF Trust (formerly National Empowerment Fund):** The NEF Trust was established to facilitate the redressing of economic inequality from past unfair discrimination against HDIs. The NEF Trust is primarily capitalised through receiving shares of State-owned enterprises (SOEs) undergoing restructuring. It is envisaged that the Trust will promote black empowerment through the following: an investment trust that will market investment units to HDIs; a portfolio trust that will warehouse the shares of SOEs, which will thereafter be sold to HDIs; and an equity management fund to provide venture capital among HDIs. The Fund buys shares in privatisation utilities from government at a discount of up to 20% to resell to previously disadvantaged people.

One of the NEF's functions is investor education to ensure awareness of the economic environment and basic economic literacy. The Fund operates at three levels, initially targeting low-income individual earners and progressing towards savings clubs and equity finance agreements for SMMEs.

The IDC also plays an increasingly important role in both supporting and assisting with venture capital in the formation of new SMEs, with tourism being just one of the latest sectors targeted (SA Yearbook, 2003:170).

- **Business Partners Ltd:** Business Partners Ltd is a specialist investment group, providing customised and integrated investment, mentorship and property management services for SMEs in South Africa. The group has been investing in entrepreneurs for over 20 years, providing private equity of up to R15 million for viable start-ups, expansions, outright purchases, management buy-outs, management buy-ins, franchises, tenders and contracts. It also provides a range of value-added services including property broking, property management, consulting and mentorship.

As at 31 March 2002, Business Partners' assets totalled R1,4 billion. Of this, R1,2 billion was directly invested in entrepreneurial enterprises across the country. A budget of R700 million has been allocated for investment during the 2002/03 financial year; 40% of which has been earmarked for investment in individuals from previously disadvantaged communities.

Business Partners' property portfolio, which provides for the premises needs of entrepreneurs, consists of 331 properties across South Africa. These are occupied by 4 148 tenants employing a staff complement of 27 000 people. The group's dedicated mentorship division also provides invaluable value-added services, including counselling, specialist management consulting, turn-around and sectoral assistance (SA Yearbook, 2003:170-171).

3.3.2.8 Employment and skills development

During 2001, skills development was clearly recognised as a national priority. The tone was set by the President's State of the Nation Address in February 2001, in which human resource development was given special attention. During 2001, both the Government's HRD Strategy as well as the Department of Labour's National Skills Development Strategy (NSDS) were launched. The skills levy and the 25 Sector Education and Training Authorities (SETAs) entered their third year of operation. A

review of the National Qualifications Framework (NQF) was initiated by the Ministers of Labour and of Education to ensure that the NQF supports the mentioned strategies. The year also saw a heightened awareness of the skills constraints that exist at many levels of the labour market and the importance of redressing skills gaps in sections of the workforce. The importance of SMMEs and informal economic activity for growth and development required targeted skills development. The NSDS is made up of five objectives, 12 success indicators and three equity targets. It identifies priorities for skills development and provides a mechanism for measuring progress. It also charts the way forward for the Department, SETAs and other key institutions (SA Yearbook, 2003:179).

3.3.2.9 National Skills Authority (NSA)

The NSA and its Executive Committee have overseen the preparation of the Learnership and Funding Regulations and instituted a review of the skills development legislation to address anomalies and technical issues to improve the operation of the Skills Development Act, 1998 (Act 97 of 1998), and the Skills Development Levies Act, 1999 (Act 9 of 1999). The NSA advises the Director-General on the operation of the National Skills Fund, including recommending the allocation categories and criteria for the allocation of grants. The NSA continues to monitor the implementation of the NSDS. Its members have taken an active role in the marketing skills development initiatives and the work of the SETA Forum, established to review emerging policy issues and operational matters. They also played a role in resolving SETA demarcation disputes.

3.4 SUMMARY

Enterprise development remains an important area of cooperation across all spheres of government. In order for the economy to grow in a manner that will create decent work for entrants into the labour market, it is necessary that new enterprises are created and that existing enterprises become more competitive (Erwin, 2003).

We can therefore safely conclude that entrepreneurship is the driving force in the South African economy in terms of employment creation, income generation and

output growth. It is also key to the lowest-income people in our society gaining access to economic opportunities. In the current macroeconomic context is thus imperative that significant developmental initiatives and investments are made in entrepreneurial development in South Africa in order to create both short- and long-term capacity for labour absorption and output growth, as well as to improve income generation and redistribution.

Although these objectives are firmly recognised in the main development and macroeconomic strategies of government, it is not enough. Current initiatives and levels of investment in entrepreneurial development are inadequate for achieving government's desired growth levels. It is, however, not the responsibility of government alone. As a country, at all levels of public and private sector, we need to create and encourage policies and practices that are more conducive to the entrepreneurial process. We need to take advantage of this great national asset and secret economic weapon to foster and ensure the mobility of entrepreneurial activity. Unlocking entrepreneurship will result in the creation, enhancement, realisation, and renewal of value for the country as a whole.

There is, however, a word of caution. Alec Erwin expressed government's concern with the rising number of economic development agencies that are being established by provinces, cities and municipalities. He urged provincial and local governments to give full consideration to the merits and limits of these agencies. Overextending the mandates of development agencies can result in the creation of a vast and expensive bureaucracy that, in many instances, duplicates the core business of government departments. This plethora of agencies compounds the alignment and coherence challenge. Research on this trend indicates that 54 agencies report to national and provincial departments of trade and industry. Some departments are finding that they have outsourced their ability to give leadership and direction to their provincial economies. The management and alignment of these agencies pose an important challenge and we need to share our national experience in regard to establishing and managing agencies (Erwin, 2003).

CHAPTER 4

EMPIRICAL RESEARCH

4.1 INTRODUCTION

In order to confirm and further enhance and substantiate the literature study findings discussed up to now, an opinion survey was conducted consisting of three sections, namely:

1. Entrepreneurial opinion survey (How entrepreneurial is South Africa?) See annexure A for survey questionnaire.
2. Entrepreneurial management competencies opinion survey (What skills are required to be successful?) See annexure A for survey questionnaire.
3. Improving South Africa's entrepreneurial activity opinion survey (What can we do to improve our entrepreneurial status?) See annexure A for survey questionnaire.

Respondents' industry distribution among others included:

- semi-government,
- local business chambers,
- international business chambers represented in SA,
- banking,
- energy,
- regulatory body,
- management consulting,
- government, and
- manufacturing.

Respondents' job category distribution among others included Chartered Accountant, Senior Financial Manager, Industrial Psychologist, Chief Executive, National Director: Public Sector Business, General Manager: Credit & Operations, Production Manager, Chairman, Managing Director, International Banking Consultant, Management Consultant, Human Resources Director.

The survey was presented to 94 individuals using electronic media, of which 23 eventually responded by the cut-off date.

See annexure B for a breakdown of the survey population by name, occupation, industry, province, exposure, and whether responded or not.

4.2 OPINION SURVEY DESIGN

The opinion survey consisting of the three sections was designed in Microsoft Excel and e-mailed to respondents as an attachment. The body text of the e-mail explained the purpose of the survey as well as instructions for completion thereof. Respondents merely had to follow the instructions, complete the survey by typing an "X" in the appropriate blocks they selected, and return it to the sender via e-mail.

The rest of this section explains the three sections of the survey in more detail.

4.2.1 Entrepreneurial opinion survey

This section of the survey elicited responses in terms of views and attitudes about entrepreneurship in South Africa, and consisted of 15 statements (See annexure A) to which respondents had to express their views on a scale of 1 to 4 where 4 = "Definitely Agree", 3 = "Inclined to Agree", 2 = "Inclined to Disagree", 1 = "Definitely Disagree".

4.2.2 Entrepreneurial management competencies opinion survey

Entrepreneurs who build substantial companies are good entrepreneurs *and* good managers (Timmons, 1999:247). Subsequently certain competencies are critical for successful entrepreneurship. Timmons (1999:248-276) elaborates on a set of competencies demarcated under marketing, operations / production, finance, administration, interpersonal / team, and legal. Using these competencies, the next section of the survey was presented to respondents to express their views in terms of the importance of the competencies for successful entrepreneurship (See annexure A). It was aimed at entrepreneurship in general terms without reference to a specific

industry type. Respondents had to express their views by indicating whether a competency is critical (3), very desirable (2), or not necessary (1).

4.2.3 Improving South Africa's entrepreneurial activity opinion survey

This section of the survey consisted of 10 statements to which respondents had to express their views in terms of improving entrepreneurship in South Africa on a scale of 1 to 4 where 4 = "Definitely Agree", 3 = "Inclined to Agree", 2 = "Inclined to Disagree", 1 = "Definitely Disagree" (See annexure A).

4.3 OPION SURVEY RESULTS

The processing of the raw data was done in the following two ways to quantify results:

- Processing 1:

The first aim was to obtain scores for each statement in the survey in order to have a detailed view for each section of the survey. The statistical approach was as follows:

- Calculating the number of respondents per category per statement, i.e., number of respondents who "definitely agreed"; number of respondents "inclined to agree"; number of respondents "inclined to disagree"; and number of respondents who "definitely disagreed."
- Dividing the number of respondents per category by the total number of respondents.
- Resulting in a percentage per category per statement.
- Plotting the percentages on a graph for every statement.
- Example:

$$\frac{\sum \text{Respondents "Definitely Agree" 'In general SA is an entrepreneurial country'}}{\text{Total number of respondents}} = \% \text{ Respondents "Definitely Agree"} \rightarrow$$

- Processing 2:

The second aim was to collate the scores in order to result in an overall, summarised view for each section of the survey. The statistical approach was as follows, using the scales 4 = "Definitely Agree", 3 = "Inclined to Agree", 2 = "Inclined to Disagree", 1 = "Definitely Disagree" for section one and three of the survey, and 3 = "Critical", 2 = "Very Desirable", 1 = "Not Necessary" for section 2 of the survey:

- Calculating the sum of respondents' scores per category.
- Calculating the sum of the highest possible score per category.
- Dividing the sum of respondents' scores by the sum of the highest possible score.
- Resulting in the percentage scoring per category.
- Equally, calculating the arrhythmic mean of respondents' scores and dividing that by the highest possible score results in the same answer.
- Example1:

$$\frac{\sum \text{Respondents scores section 1 statement 1}}{\sum \text{Highest possible score section 1 statement 1}} = \% \text{ Score section 1 statement 1} \rightarrow$$

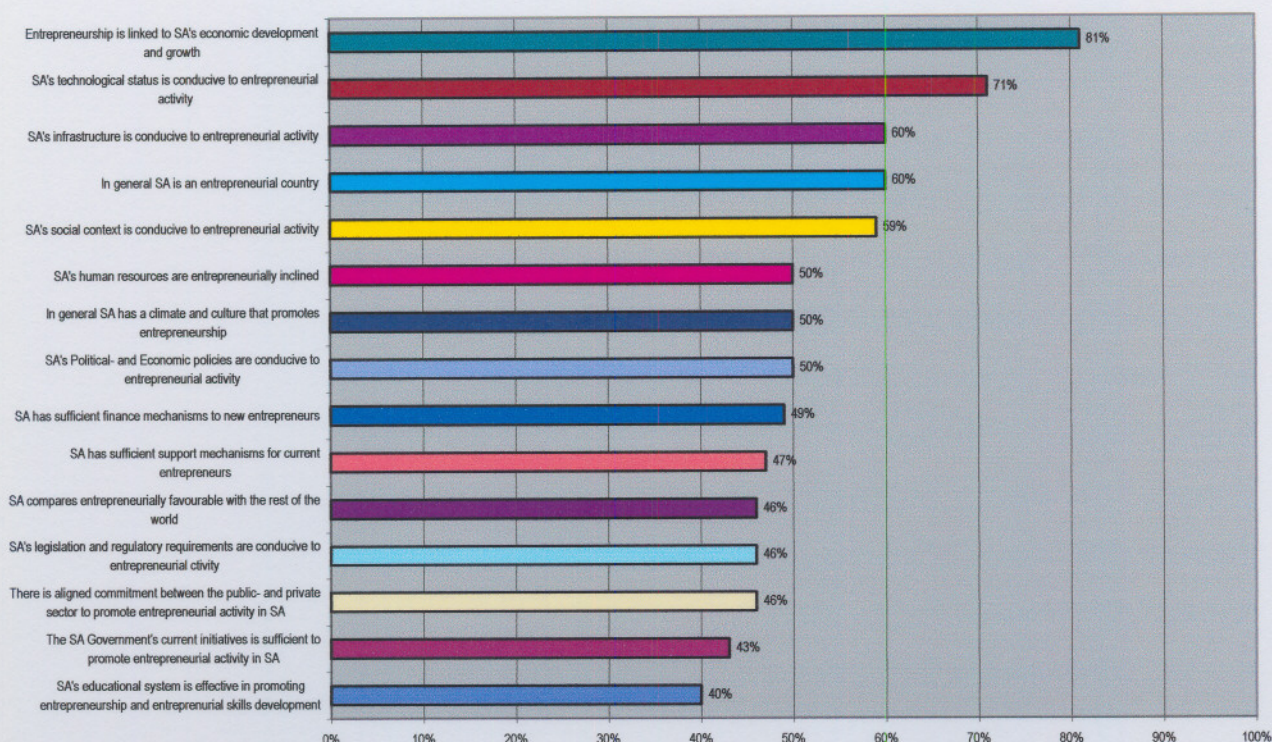
- Example 2:

$$\frac{\text{Arrhythmic Mean section 1 statement 1}}{\text{Highest possible score section 1 statement 1}} = \% \text{ Score section 1 statement 1} \rightarrow$$

4.3.1 Entrepreneurial opinion survey results

The detailed results (processing 1) are graphically depicted in annexure C. The results were collated in terms of weights and arrhythmic mean (processing 2) to reach a conclusive overview of South Africa's entrepreneurial status as expressed in Figure 4.1 in descending order:

Figure 4.1: SA's entrepreneurial opinion survey results



As arbitrary norm, 0% – 29% represents “poor”, 33% – 49% “below average”, 50% – 59% “average”, 60% – 69% “above average”, 70% – 79% “good”, and 80% – 100% “excellent”.

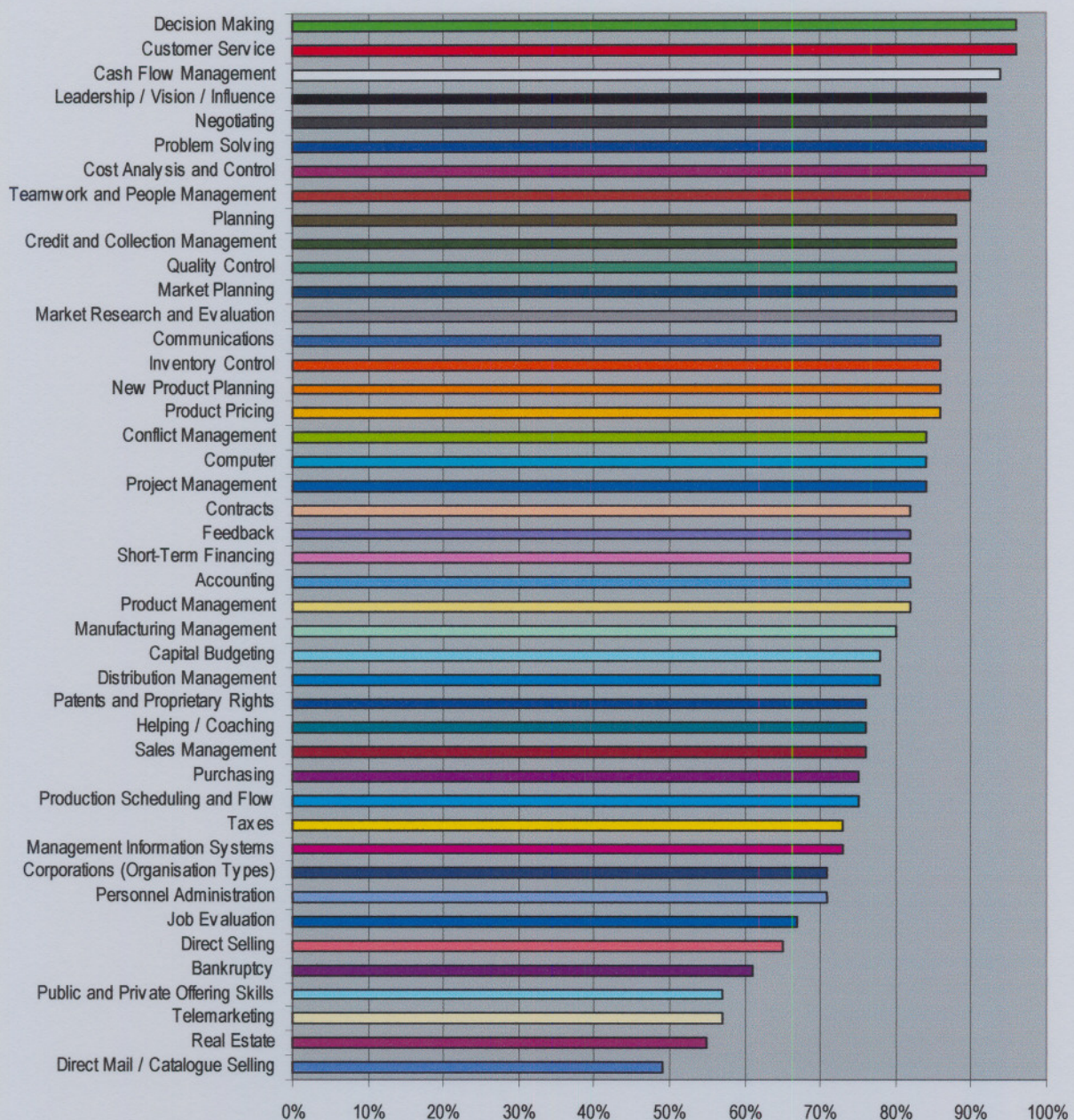
Topping the chart with a score of 81% is the confirmation that entrepreneurship is a driver of economic growth. In the last position with a below average score of only 40% is South Africa's educational system as driver of entrepreneurial skills development. The next five highest scores in descending order is:

- Technological status = 71% (good).
- Infrastructure = 60% (above average).
- Entrepreneurial inclination = 60% (above average).
- Social context = 59% (average).
- Entrepreneurial country = 50% (average).

4.3.2 Entrepreneurial management competencies survey results

The detailed results (processing 1) are depicted in annexure C. The results were collated in terms of weights and arrhythmic mean (processing 2) to reach the following conclusive overview of entrepreneurial management competencies expressed in Figure 4.2 in descending order:

Figure 4.2: Entrepreneurial management competencies survey results



To categorise the competency results under “critical”, “very desirable” and “not necessary”, the following arbitrary scale was used: 80% > = critical; 70% - 80% = very desirable; < 70% = not necessary. Table 4.1 indicates the order of importance as derived from the graph:

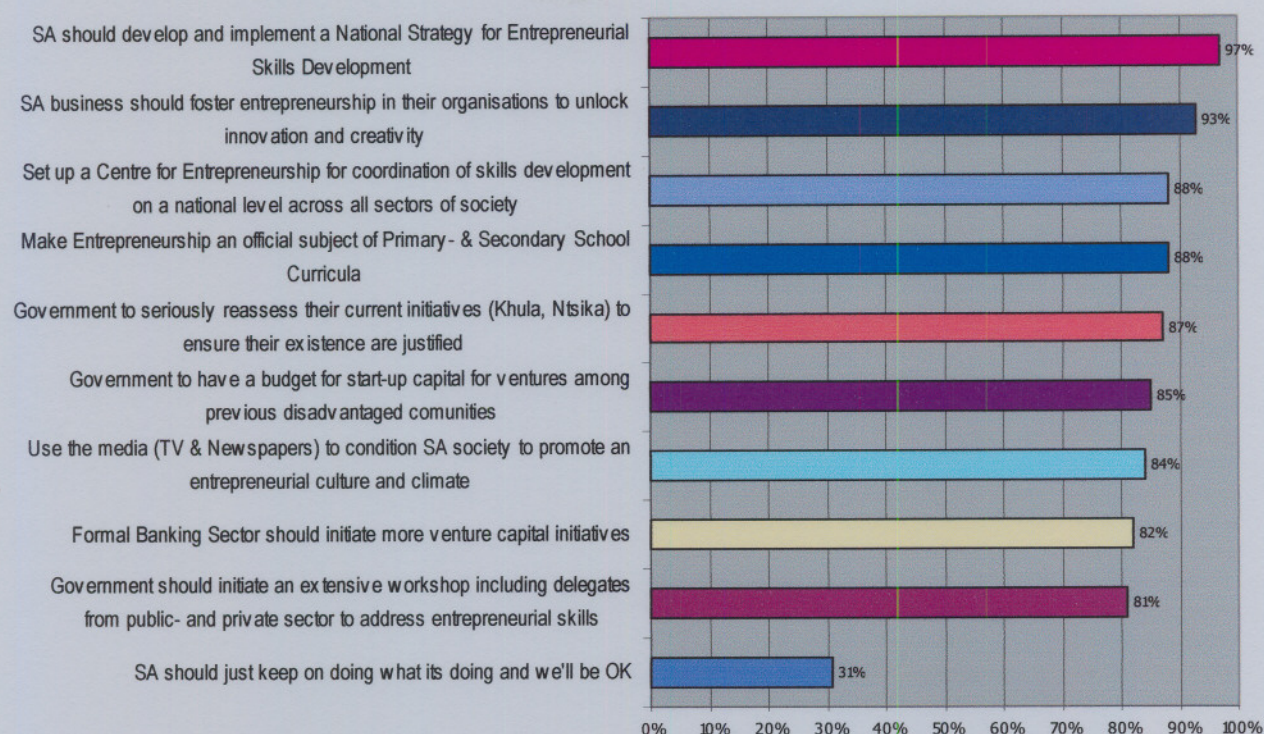
Table 4.1: Competencies by category

CRITICAL	VERY DESIRABLE	NOT NECESSARY
Decision making = 96% Customer service = 96% Cash flow management = 94% Leadership = 92% Negotiating = 92% Problem solving = 92% Cost analysis and control = 92% Teamwork and people management = 90% Planning = 88% Credit and collection management = 88% Quality control = 88% Market planning = 88% Market research and evaluation = 88% Communication = 86% Inventory control = 86% New product planning = 86% Product pricing = 86% Conflict management = 84% Computer = 84% Project management = 84% Contracts = 82% Feedback = 82% Short-term financing = 82% Accounting = 82% Product management = 82% Manufacturing management = 80%.	Capital budgeting = 78% Distribution management = 78% Patents and proprietary rights = 76% Helping/Coaching = 76% Sales management = 76% Purchasing = 75% Production scheduling and flow = 75% Taxes = 73% Management information systems = 73% Corporations = 71% Personnel administration = 71%.	Job evaluation = 67% Direct selling = 65% Bankruptcy = 61% Public and private offering skills = 57% Telemarketing = 57% Real estate = 55% Direct mail / catalogue selling = 49%.

4.3.3 Improving SA's entrepreneurial activity survey results

The detailed results (processing 1) are depicted in annexure C. Again the results were collated in terms of weights and arrhythmic mean (processing 2) to reach the following conclusive overview of improving South Africa's entrepreneurial status expressed in descending order as shown in Figure 4.3 below.

Figure 4.3: Improving SA's entrepreneurial activity results



It is evident that South Africa cannot keep on doing what it's doing and expect to improve its entrepreneurial activity and ultimately its competitiveness (31%). **What is of great significance is that South Africa urgently needs to develop a national strategy for entrepreneurial development (97%).** The other statements on potential ways to improve South Africa's entrepreneurial status should also be noted as all scored higher than 80%.

Respondents were then asked: *"If you were the Minister of Trade & Industry with a mandate from the State President and Parliament to use any resources you require to improve the entrepreneurial activity in SA, what three things would top your list?"*

Here is a short-list of expressions made by some of the respondents:

- "Education, education, education!"
- "Develop and implement a coordinated national strategy for entrepreneurial development involving all key role players (Government institutions and agencies, business advisors and business owners)."
- "Education systems, formal and informal: School and tertiary institutions."

- "Education at all levels."
- "Change the education system to include business training."
- "Promote education and training at primary, secondary as well as tertiary levels."
- "Increase the budget for entrepreneurial skills development."
- "Reduction of "red tape".
- "Venture capital availability."
- "Reward companies who embody the spirit of "intrapreneurship" in terms of tax credits."
- "More accountability of the education departments to enthuse and co-opt students in promoting entrepreneurship not just as subject but as "lifestyle".
- "Educate the youth and transfer skills to adults."
- "Ongoing education and awareness campaign."
- "Making funds and quality information and advice more accessible."
- "Change tax rules to encourage start-up ventures."
- "Legislation to reduce statutory requirements and zero taxation for companies with turnover of less than R2 million."
- "Government to work with financial institutions and provide money from the fiscus for loans to small ventures who are unlikely to be able to borrow money from them currently."
- "Pay current successful individuals to be full-time coaches and on panels to transfer experiences like owner families do in USA and Europe. (My Harvard experiences show experiences stays in families)."
- "Marketing / promotion campaign utilising the media (print / radio)."
- "Establish a nationally coordinated training and mentoring initiative to impart the necessary skills and give follow-up support to entrepreneurs. This initiative should also provide training business skills and entrepreneurship in schools."
- "Let youngsters experience the joy of contribution and the safety of contribution with networking. The education system operates as vested interests do, to make youngsters believe education will do it."

4.4 SUMMARY

The survey greatly confirmed certain "hunches" in terms of South Africa's entrepreneurial performance. There is strong confirmation that entrepreneurship is a

key driver of economic growth, but that current initiatives in terms of its development lacks an integrated national strategy. Government's current initiatives are seemingly not sufficient, and its effectiveness needs to be seriously reassessed to justify certain agencies' existence. There is no aligned commitment between public- and private sector to promote entrepreneurial activity in South Africa, and private sector especially should take up co-responsibility to develop South Africa's entrepreneurial capability. It is also important to note that entrepreneurial development is not only limited to new start-ups, but also to existing players in the economy – meaning the cultivating and fostering of an entrepreneurial culture.

The youth is our future, but South Africa's educational system seems ineffective in promoting entrepreneurship and entrepreneurial skills development. Subsequently, much need to be done in terms of entrepreneurial development at primary and secondary level. It is strongly suggested that entrepreneurship be made an official subject in primary- and secondary school curricula.

It is evident that a central coordinating body needs to be set up with the sole responsibility to drive the national strategy and manage and coordinate entrepreneurial development in South Africa. This central body could either be a government agency under the auspices of the Department of Trade and Industry, or an outsourced agency funded by government and the private sector, and driven by economic laws of supply and demand, ultimately accountable to government.

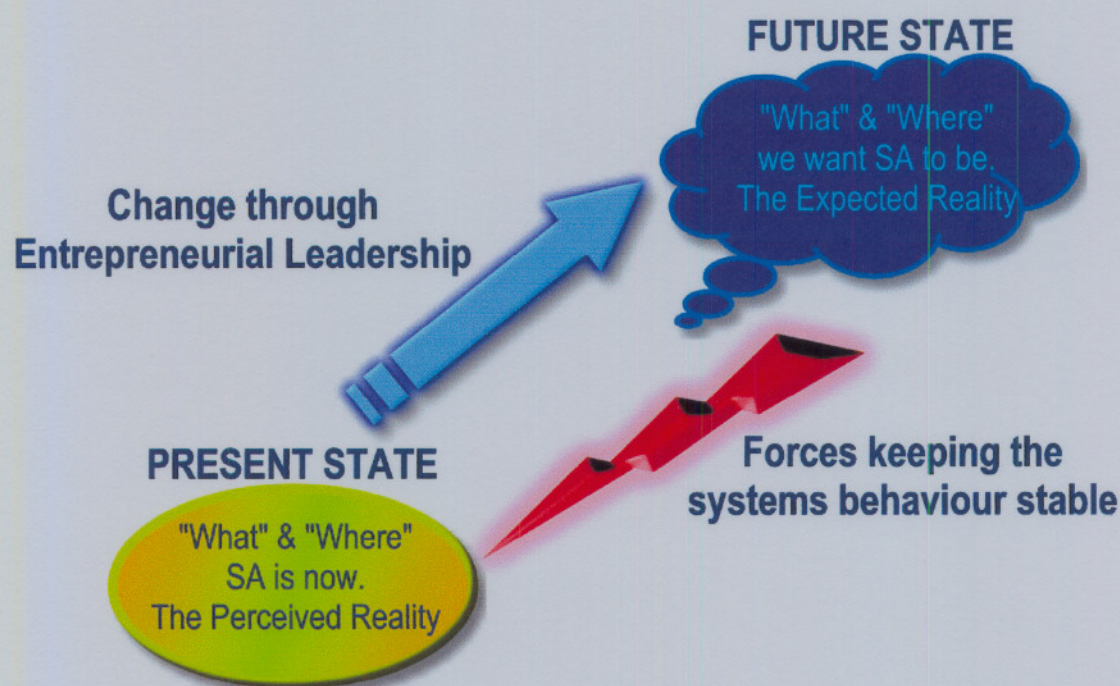
CHAPTER 5

CONCLUSIONS

5.1 INTRODUCTION

Now that the state of affairs in terms of South Africa's entrepreneurial position are clear, the question arises how to get from the present state to a desired future state of a country characterised by vibrant entrepreneurial activity that enhances growth and competitiveness. Moving from the present to the future state inevitably implies a process of planned change. This process of change are graphically depicted in figure 5.1.

Figure 5.1: The process of entrepreneurial change



Kurt Lewin conceived of change as modification of those forces keeping a system's behaviour stable (Cummings & Worley, 2001:22). In relation to this study it implies modifying those forces keeping South Africa's entrepreneurial behaviour stable.

Change efforts falls on a continuum ranging from incremental changes that would involve fine-tuning South Africa's entrepreneurial position to quantum changes that would entail fundamentally altering how South Africa operates in terms of its entrepreneurial activity.

From the preceding chapters it is evident that South Africa needs to make an "entrepreneurial quantum leap" – an "entrepreneurial transformation." This transformation implies radical changes in how South Africans perceive, think, and behave in terms of entrepreneurship. It must supersede "making things better" or fine-tuning the status quo. It concerns fundamentally altering South Africa's assumptions about its entrepreneurial functioning and how it relates to the global environment. Changing these assumptions entails significant shifts in our philosophies and values and in the numerous structures and arrangements that shape our current entrepreneurial behaviour. We need an entrepreneurial revolution.

This change will inevitably require Leadership. Leadership is all about social influence. If, in organisational terms, leadership is defined as "influencing employees to voluntarily pursue organisational goals" (Kreitner & Kinicki, 1998:495), we can define Leadership in this context as quickening and influencing South Africans to voluntarily pursue entrepreneurship as a way of life in order to bring about economic growth. Finally, this Leadership will obviously necessitate a visionary national strategy.

5.2 SOUTH AFRICA's ENTREPRENEURIAL SWOT ANALYSIS CONCLUSIONS

South Africa's "SWOT" analysis conclusions are depicted in table 5.1.

Table 5.1: South Africa's "SWOT" analysis

STRENGTHS:	WEAKNESSES:
▪ Diverse population. ▪ Quality human capital. ▪ Rich natural resources. ▪ Technologically advanced. ▪ Quality primary, secondary and tertiary education facilities. ▪ Government that supports entrepreneurship. ▪ Many government and private sector initiatives.	▪ Majority of South Africans do not have access to many of the current entrepreneurial development initiatives. ▪ Majority of South Africans do not have access to information technology. ▪ Government initiatives do not have the desired results. ▪ Lack of entrepreneurial development at primary and secondary education levels. ▪ Lack of a national entrepreneurial development strategy.

OPPORTUNITIES:	THREATS:
▪ Becoming a recognised player in the global economy. ▪ Creating a consuming entrepreneurial awareness in South Africa. ▪ Increased international trade and exports. ▪ Increase in South Africa's competitive position.	▪ Falling behind in comparison with global human advancement. ▪ Not being internationally competitive.

5.3 SOUTH AFRICA's PEST ANALYSIS CONCLUSIONS

- **Political:** The political environment in South Africa is relatively stable, with a government that encourages business development. Although entrepreneurial development is on the list of government priorities, desired results are not achieved with current initiatives. The public education system is ineffective in promoting entrepreneurship and entrepreneurial skills development. The current legislative and regulatory framework is also not conducive to entrepreneurial activity as these requirements place a heavy burden on the entrepreneurial fraternity, e.g., labour legislation, taxes and levies. High levels of corruption in the public sector also adversely affect the way South Africa is viewed by the rest of the world.
- **Economical:** South Africa experiences a relative stable economy with continuous global involvement. Economic growth is currently approximately 2%. There is the opening up of new market potential and emerging economies across the globe. The current levels of production and output are however, unsatisfactory. The Rand is strengthening its position against the dollar that significantly impacts exports and the financial performance of certain industries, e.g. mining and resources. Deflation will also have a major impact on South Africa's economic growth.
- **Social:** There is growth in the education of consumers seeking more choice, sophistication and differentiation. There are demographic shifts with more woman and previously disadvantaged people that enter the workforce. There are also growing numbers of elderly people that have an impact on market forces. The rising crime is an apparent "socio-economic phenomenon" we have to live with, but it has an adverse effect on South Africa's global competitive position. HIV Aids also has a negative social impact with rising numbers in HIV-positive individuals in South Africa's workforce that will have a major impact on productivity and growth. There is also a serious decline in work ethics and life values in general.

- **Technological:** Technological advancement in South Africa can compare with the best in the world. There is growth of the Internet and advance of electronic communications. Although computing has become the norm, there is still a large gap in the disadvantaged communities in terms of access to information technology.

5.4 SYSTEM ELEMENT REQUIREMENTS CONCLUSIONS

South Africa's situation is different and therefore should not copy a solution from elsewhere just because the situation may appear to be similar. South Africa can't clone others' successes because copying what others have done won't necessarily produce the same results for South Africa. What needs to be accomplished is a national strategy for entrepreneurial development in South Africa. The purpose for accomplishing that is to establish a centre for entrepreneurial leadership to spearhead and coordinate entrepreneurial development in South Africa on a national level. The purpose for that is to:

- Improve entrepreneurial activity in South Africa in general.
- Increase new business start-up.
- Decrease necessity entrepreneurship.
- Increase opportunity entrepreneurship.
- Develop entrepreneurial skills.
- Foster an entrepreneurial spirit at all levels of the population.
- Foster a learning nation culture underpinned by life long learning.
- Improve support mechanisms to current entrepreneurs.
- Improve access to finance mechanisms to new entrepreneurs.

The ultimate purpose is to induce economic growth and making South Africa a stronger competitor in the mainstream economic activities of the world.

According to EMS Network International (2003) Nadler (1994) describes eight "*Breakthrough Thinking*" system elements namely purpose, inputs, outputs, operating steps, environment, human enablers, physical enablers and information enablers. In

terms of this eight system elements the concluding requirements in support of a national strategy are depicted in table 5.2.

Table 5.2: System element requirements

System element	Meaning	Element description
1. Purpose:	Mission, aim, need	National strategy for entrepreneurial development to induce economic growth and competitiveness.
2. Inputs:	People, things, information	National centre for entrepreneurial leadership to drive and manage strategy.
3. Outputs:	People, things, information	▪ Skills development. ▪ Information, advice, consultation. ▪ Training material. ▪ Knowledge centre. ▪ Web-portal. ▪ Business development support. ▪ Finance.
4. Operating Steps:	Process and conversion tasks	Entrepreneurial process (Timmons model) to guide all actions and services.
5. Environment:	Physical and organisational	Central body that duplicates efforts through network of accredited service providers across the country.
6. Human Enablers:	People, responsibilities, skills, to help in the sequence*	▪ Executive management. ▪ Process consultants. ▪ Support staff. ▪ Service providers. ▪ Outsourced services.
7. Physical Enablers:	Equipment, facilities, materials to use in the sequence*	▪ Office block situated in JHB. ▪ Computer technology. ▪ Integrated Enterprise Resource Planning (ERP) System. ▪ Telephony technology. ▪ Training material.
8. Information Enablers:	Knowledge, instructions*	▪ Leadership knowledge. ▪ Entrepreneurship knowledge. ▪ Best practices knowledge. ▪ Corporate governance knowledge. ▪ Management knowledge. ▪ Technology knowledge. ▪ Human resources knowledge. ▪ Finance knowledge. ▪ Risk management knowledge. ▪ Marketing and communication knowledge.

* Enables the Process but does not become part of the Output.

5.5 CONCLUDING REMARKS

Michael Porter's discussion on the subject of competitiveness in the Global Competitiveness Report is of significant interest to highlight the importance of entrepreneurship as driver to economic growth.

To understand competitiveness, the starting point must be the sources of South Africa's prosperity. Porter (2002:25) states that a nation's standard of living is determined by the productivity of its economy, which is measured by the value of goods and services produced per unit of the nation's human, capital, and natural resources. Productivity depends both on the value of a nation's products and services, measured by the prices they can command in open markets, and the efficiency with which they can be produced.

True competitiveness, then, is measured by productivity (Porter, 2002:25). Productivity allows a nation to support high wages, a strong currency, and attractive returns to capital – and with them a high standard of living. Productivity is the goal, not exports *per se*. Only if a nation expands exports of products or services it can produce productively will national productivity rise. Domestic or foreign firms are neither good nor bad for competitiveness *per se*; what matters is the productivity of their activities in a country.

The productivity of local industries has a major influence on the cost of living and the cost of doing business, not to mention their level of wages. The productivity of the entire economy matters for the standard of living, then, not just the traded sector.

Many nations can improve their prosperity if they can improve productivity – as is the case with South Africa. The central challenge in economic development, then, is how to create the conditions for rapid and sustained productivity growth.

The microeconomic foundations of productivity rest on two interrelated areas (Porter, 2002:25): (1) the sophistication with which companies operating in the country compete (entrepreneurial), and (2) the quality of the microeconomic business environment (environment conducive to entrepreneurial activity).

The productivity of countries is ultimately set by the productivity of their companies. An economy cannot be competitive unless companies operating there are competitive. However, the sophistication of companies is inextricably intertwined with the quality of the national business environment. More sophisticated company strategies require more highly skilled people, better information, improved infrastructure, better suppliers, more advanced research institutions, stronger competitive pressure, and, most important, entrepreneurship.

5.6 SUMMARY

South Africa as a nation must upgrade its ways of competing if successful economic development is to occur. South Africa's companies must shift from competing on comparative advantages (low-cost labour or natural resources) to competing on competitive advantages arising from unique products and processes, and move from tapping foreign distribution channels to building their own channels.

From the earlier definitions of entrepreneurship, it is thus evident that it is the main driver to improving and increasing productivity and ultimately GDP. It is therefore safe to suggest that an increase in entrepreneurial activity will lead to an increase in productivity (and employment) that in turn will lead to an increase in real GDP. An increase in real GDP induces increased sales flows to the different factors of production – managers, workers, landowners, shareholders, and other input suppliers – and national income increases correspondingly. In brief the chain of events can be depicted as follows:

↑ Entrepreneurial activity ⇒ ↑ Productivity ⇒ ↑ Real GDP ⇒ ↑ Real Income ⇒ ↑ Competitiveness
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CHAPTER 6

RECOMMENDATIONS

6.1 INTRODUCTION

The stage is now set for a national strategy for entrepreneurial development that would revolutionise economic growth in South Africa.

6.2 A NATIONAL STRATEGY

A national strategy for entrepreneurial development in South Africa is subsequently recommended, and the recommended vehicle to bring the strategy to fruition is a national centre for entrepreneurial leadership, henceforth dubbed the “South African Centre for Entrepreneurial Leadership” (SACEL).

The centre, SACEL, should be responsible for the leading and coordination of entrepreneurial development across the country. The five key performance areas within SACEL should be (1) education, training and development, (2) process consulting, (3) business development support, (4) marketing and communication, and (5) finance and funding. Figure 6.1 below represents the broad structure of SACEL.

Figure 6.1: SACEL structure



6.2.1 EDUCATION, TRAINING AND DEVELOPMENT

Education, Training and Development refers to skills development across the board, from school level (primary and secondary) to tertiary level to adult level. This will include curriculum development for all levels and coordinating the delivery of the skills transfer.

6.2.1.1 Creating a learning culture and learning guiding principles

A learning culture empowers people to continually expand their capability to create the desired results, and to learn how to learn together. The fostering of a learning environment should, therefore, be a key strategic objective, and not merely a training tactic. The principles that should guide the creation of a learning culture and learning are as follows:

- Learning strategies must be linked to all government's plans and initiatives and have government-level ownership and sponsorship:
 - Culture change begins with government leadership.
 - Frequent communication regarding learning objectives, plans, value and results is essential.
 - Support for learning must be continually demonstrated.
 - Leaders must set up processes to actively solicit and gather feedback.
- Learning strategies must be implemented on a firm infrastructure:
 - The infrastructure must support innovative, effective education that drives bottom line results.
 - The infrastructure must support citizens in sharing knowledge and developing expectations.
- Learning business partners must be carefully selected:
 - The government and its partners must work together seamlessly.
 - Business relations must be transparent.

Based on these guiding principles, a number of curricula and training programmes should be designed for primary schools, secondary schools, tertiary education and adult population.

6.2.1.2 Curriculum framework factors

The fostering of a “learning culture” will enhance the delivery of training initiatives. Building on that, the curriculum framework should be subject to the following factors:

- Curricula must have a clearly defined vision, mission and goals.
- Training should be modular and outcomes based.
- Training content must be relevant to the trainee, and be based on entrepreneurial skills needs.
- Training standards, systems and models must be clearly defined.
- Curricula should offer a choice of training content and delivery mechanisms.
- Training must be prioritised, addressing the most important needs first.
- Training should be delivered at a convenient time, and in a convenient manner.
- Registering for training should be easy for the trainee.
- Feedback must be obtained from trainees to continuously improve programs.
- Skills-based learning and interpersonal skills should ideally be facilitated through a face-to-face delivery channel in order to cater for questions and problem-solving.

6.2.1.3 Training delivery principles

Two main types of training delivery are proposed, namely distance learning and face-to-face delivery. Table 6.1 describes the types of delivery and their advantages and disadvantages.

Table 6.1: Advantages and disadvantages of distance- and face-to-face learning

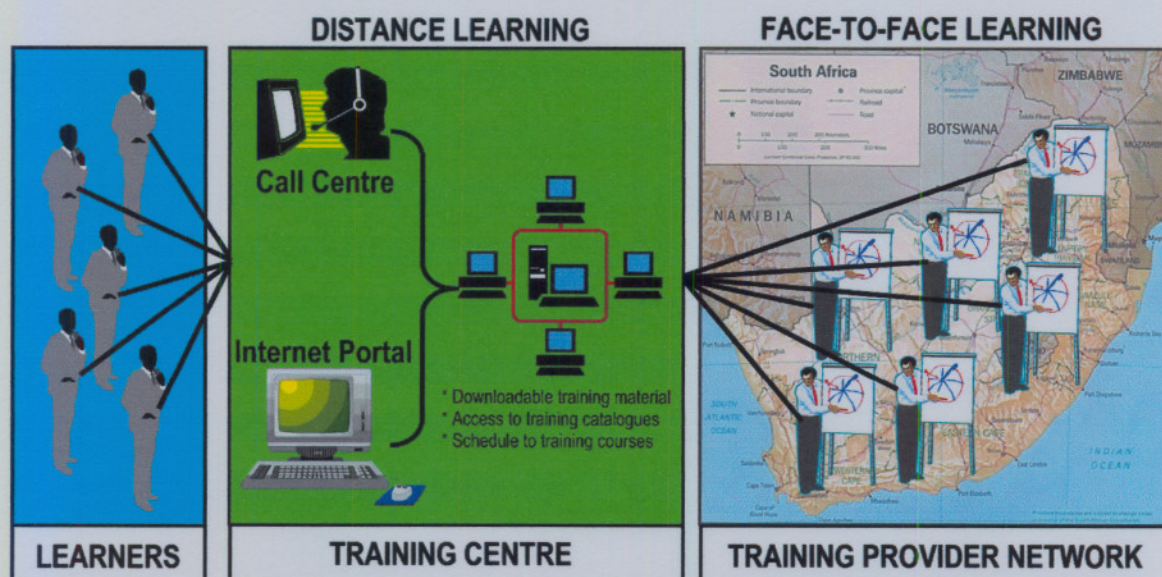
	Description	Advantages	Disadvantages
Distance learning	▪ Knowledge orientated. ▪ Delivery media include TV, videos, Internet, and CD's.	▪ Controlled, consistent content. ▪ Effective for large groups or multiple locations. ▪ Does not require trainer/trainee travel. ▪ Can contain large amounts of material. ▪ Accessible at learner's convenience.	▪ Require suitable infrastructure to run training. ▪ May be difficult to disseminate. ▪ May be difficult to update material (CDs or videos. Does not apply to Internet). ▪ Limited bandwidth may be result in slow delivery.

	Description	Advantages	Disadvantages
Face-to-Face learning	- Skills orientated. - Delivery media include classroom, mentoring, and apprenticeships.	- Easily customised and revised. - Quickly developed. - Minimal development costs. - Trainees can ask specific questions.	- Slow learning rate due to more time spent. - Inconsistencies from class to class. - Scheduling often presents difficulties. - Difficult to control and monitor.

Working citizens may be reluctant to make use of long-term classroom type learning due to work pressures. It is therefore important that consistency of training content is provided through both distance and face-to-face channels.

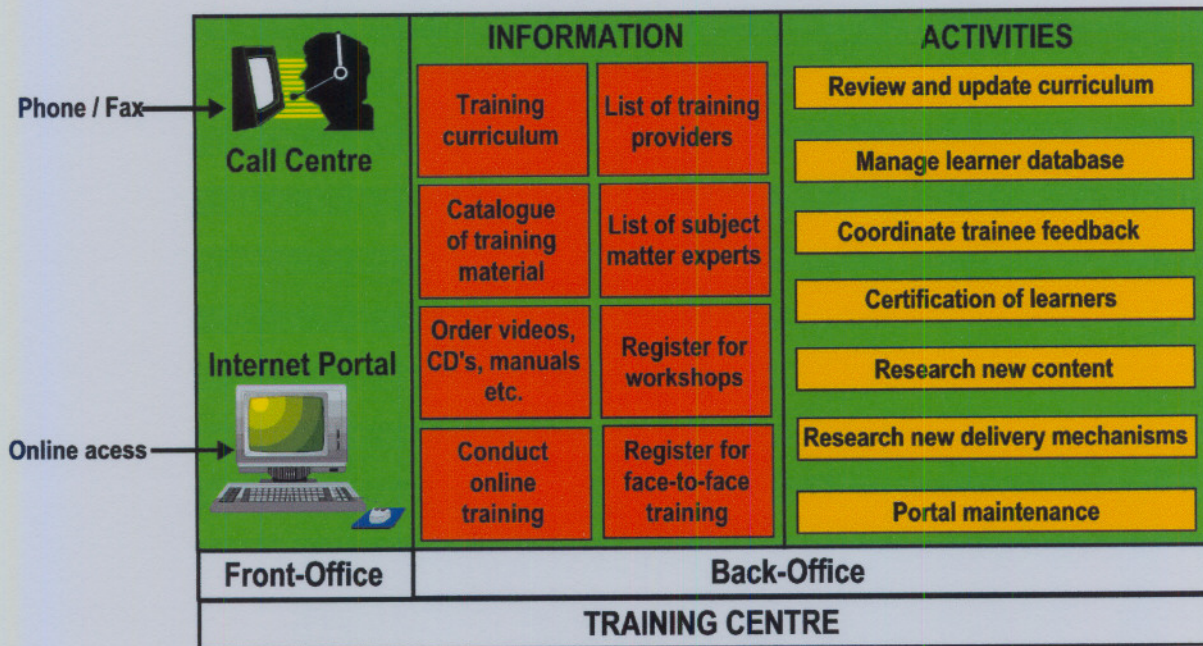
Within these guiding principles, SACEL will ensure efficient planning, design and delivery of training to South Africa's human resources (from school level to adults). Figure 6.2 depicts the model for learning and training development.

Figure 6.2: Learning and training development



The Centre is, therefore, responsible for the development, management and delivery of the training curriculum to the target audience as depicted by figure 6.3.

Figure 6.3: Information and activities



Figures 6.2 and 6.3 reworked and adapted from Accenture's Micro Finance Skills Development Project Curriculum Development Report (2002:25-26).

6.2.1.4 Incentives

A significant risk to the successful delivery of training to the adult target audience is the perceived lack of real business benefits. Therefore, the involvement of private sector in the development of the content of the training materials will create a sense of ownership of the programme. Buy-in for the benefits of the training initiatives must furthermore be generated through a needs-driven strategy and monetary incentives in the form of skills development grants made available to afford private sector the opportunity to claim back on their skills levies paid. Qualifying employers can access up to 60% of their annual contributions for skills development under the sector grant scheme and planning grants should be obtained through the registration of a skills development facilitator as well as the submission of a workplace skills plan. Lastly implementation grants should be obtained through the submission of a skills development implementation report.

Incentives in the form of skills development grants would be the main monetary incentives for private sector.

6.2.1.5 Curriculum content summary

Based upon the opinion survey, a high level view of the curriculum content has been established, and skills areas included in the content of the curriculum are the following:

1. MARKETING

- Market research and evaluation.
- Market planning.
- Product pricing.
- Sales management.
- Customer service.
- Distribution management.
- Product management.
- New product planning.

2. OPERATIONS / PRODUCTION

- Manufacturing management.
- Inventory control.
- Cost analysis and control.
- Quality control.
- Production scheduling and flow.
- Purchasing.

3. FINANCE

- Accounting.
- Capital budgeting.
- Cash flow management.
- Credit and collection management.
- Short-term financing.

4. ADMINISTRATION

- Problem solving.
- Communications.
- Planning.
- Decision-making.
- Project management.
- Negotiating.
- Personnel administration.
- Management information systems.
- Computer.

5. INTERPERSONAL AND TEAM

- Leadership / vision / influence.
- Coaching.
- Feedback.
- Conflict management.
- Teamwork and people management.

6. LEGAL AND REGULATORY

- Corporations (Organisation types).
- Contracts.
- Taxes.
- Patents and proprietary rights.

6.2.1.6 Recommendations on skills programmes

The approach to entrepreneurial skills development and training has been very fragmented, with little agreement between providers on content, methodologies and guiding principles, and is often sub-standard. In general, training is either very generic in nature or very specific to a particular business. Capacity needs to be developed within the training industry to cater for the specific training needs related to

entrepreneurial skills. It may, however, take a number of years before training providers are proficient in the delivery of entrepreneurial skills specific training content. Modules within identified skills areas could form the basis of skills programmes, which could contribute towards credits for a future qualification in entrepreneurship.

Skills programmes could be made up of modules within skills areas that people can select from depending on their training needs. Several skills programmes, made up of modules could be implemented, and all skills programmes must be NQF (National Qualifications Framework) registered.

6.2.1.7 Closing recommendations

The closing recommendations of education, training and development are as follows:

- Skills programmes, made up of prioritised modules should be implemented as flexible skills development offerings to South Africans.
- The implementation of the training should be done in the form of modular-based skills programmes, offering the learner flexibility of learning, based upon training and development needs.
- The overall guiding principle should be that of a learning nation approach.
- The delivery of training materials should be through a combination of different delivery channels and should be offered in parallel through both distance and face-to-face methods.
- Extensive use should be made of South African specific content for case studies and other training materials.
- Extensive marketing and promotion of the skills programme should be done to increase awareness.

6.2.1.8 Recommended implementation approach and next steps

- Prioritised skills areas should be agreed upon and developed first.
- Final agreement on the prioritisation of skills areas should be reached by a project steering committee.

- More in-depth content knowledge for each skills area should be identified through consultation with a wide range of experts.
- Recruitment and selection of service providers should be aimed at those who are able to deliver on the development of agreed prioritised skills training materials.
- Training providers who were identified should be invited to attend detailed briefing sessions on the requirements for the development of training materials for the prioritised skills areas.
- Development timelines, level of detail, materials content quality assurance standards, guidelines for delivery methods of training materials such as videos and manuals should be outlined in the briefing sessions.
- Standards should be developed from the skills programmes once the detailed design of the curriculum has been established.
- Learning initiatives should be prioritised by entrepreneurial skills needs.

6.2.2 PROCESS CONSULTING

Process consulting refers to the facilitation of the entrepreneurial process from start-up to growth stages of businesses. The philosophy of the process consulting approach is that the entrepreneur who receives help takes *ownership* of his / her planning, gain skills and expertise to analyse the venture, and find solutions himself / herself. Thus, it is an approach to helping entrepreneurs help themselves.

6.2.2.1 The entrepreneurial process

Timmons (1999:37) concluded that a core, fundamental process accounts for the substantially higher success pattern among higher potential ventures, and that the central themes that dominate this highly dynamic entrepreneurial process are the following driving forces:

- It is opportunity driven.
- It is driven by a lead entrepreneur and an entrepreneurial team.
- It is resource parsimonious and creative.
- It depends on the fit and balance among these.
- It is integrated and holistic.

The above are the controllable components of the process that can be analysed, influenced, changed and altered to positively influence the risk-to-reward equation. Diagrammatically the process is depicted in figure 6.4.

Figure 6.4: Timmons model of the entrepreneurial process (Timmons, 1999:38)



6.2.2.2 Entrepreneurial process guiding principles

The following principles should guide the entrepreneurial process:

- The entrepreneurial process is opportunity driven. Market demand is subsequently a key ingredient to measuring an opportunity. Therefore, the customer must be reachable, and market share and growth potential must be high (20%+) and sustainable. The market structure and size should be emerging, and have little barriers to entry. Margin analysis should differentiate an opportunity from an idea, implying high gross margin, low capital requirements, and breakeven in one to two years.
- Resources (Finances, assets, people) must be properly managed, and not allowed to be the primary determinants of the process. Creatively minimise and control resources rather than maximise and have the burdens of owning. Thinking cash should be last on the list.

- An entrepreneurial team is the key ingredient for success. The entrepreneurial leader learns and teaches effectively, deals with adversity, exhibits integrity, dependability and honesty, and builds an entrepreneurial culture in the organisation. The team should have the relevant experience, be motivated, have commitment, determination and persistence, be tolerant of risk, ambiguity and risk, be creative and opportunity obsessed.

6.2.2.3 Process consulting guideline

It is recommended that the Kauffman Centre for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation's "FastTrac Planning" programme be used as guideline and "South Africanised" to meet our own unique circumstances. The programme is an excellent facilitation tool to use in a one-on-one or group situation, and consists of a workbook that addresses the planning issues of starting, running, and growing ventures. The programme's objectives are to allow entrepreneurs to understand the planning process, to learn and grow as successful business people during the self-evaluation process, to apply the planning process to organisations, and to complete a business plan. The programme consists of four parts:

- **Introduction** assists the entrepreneur in the writing procedures necessary to develop professionally written plans. Each section of a business plan is explained in greater depth.
- **Exercises** to be completed during the facilitation / workshops section of each module assist the entrepreneur in evaluating the existing business to prepare for writing the business plan.
- **Business plan** sections to be completed as homework to assist the entrepreneur in developing a business plan.
- **The appendix** assists the entrepreneur in putting the business plan together in a final format. It also contains 3-year financial projection templates, a checklist to help self-assess the business plan, and a sample business plan.

The detailed overview of the programme content is as follows:

- Module 1: Introduction to the program and the entrepreneurial mindset.

- Module 2: The management team – Management and organisation plan.
- Module 3: Product and service plan.
- Module 4: Marketing – Purpose and research (Marketing plan).
- Module 5: Marketing – Analysis (Marketing plan).
- Module 6: Marketing – Penetration tactics (Marketing plan).
- Module 7: Financials – The foundation (Income statement, balance sheet, cash flow statement).
- Module 8: Financials – Management tools (Analyse financial ratios).
- Module 9: Financials – Budgeting (Financial plan).
- Module 10: Operations and managing growth – (Operating and control systems plan).
- Module 11: Money sources – (Operating and control systems plan).
- Appendix:
 - A: Organising the business plan.
 - B: Presenting the business plan.
 - C: Business plan checklist.
 - D: Income tax rate worksheet.
 - E: Three-year financial projections.
 - F: Sample business plan.

6.2.2.4 Process consulting guiding principles

The principles that should guide the process consulting are as follows:

- Be mindful of the centre's purpose for being, and each interaction with an entrepreneur must be oriented toward being helpful.
- Stay in touch with the current reality. Each interaction should produce information about the current situation and includes data about the entrepreneur's opinions, beliefs and emotions; the intended or existing venture functioning; and the consultant's reactions, thoughts and feelings.
- Be instruments of change. It is important to understand what is known, what is assumed, and what is not known.
- Any interaction with an entrepreneur generates information as well as consequences. Simply conducting preliminary interviews with an entrepreneur can

raise the entrepreneur's awareness of a situation and help him/her see it in a new light.

- The key principle is that the entrepreneur owns the plan. Consultants must help entrepreneurs develop their own intentions and learn to manage future change.
- Work to understand the entrepreneur's motivations and perceptions. There will be much about the entrepreneur's ideas that will not be known.
- Observations, comments, questions intended to be helpful may work in some circumstances and fail in others. Be vigilant to occasions when the entrepreneur is open (or not open) to suggestions.
- Be willing to take appropriate risks. From time to time and in their best judgement consultants must learn to take advantage of "teachable moments." Well-crafted feedback can provide an entrepreneur with great insights.
- Process consultants can never fully know the entrepreneur's reality and will invariably make mistakes. The consequences of these mistakes, the unexpected and surprising reactions, are important data that must be used in the ongoing development of the relationship.
- When the entrepreneur is in doubt, share. The default intervention in a helping relationship is to model openness by sharing the next steps.

Reworked and adapted from Edgar Schein's ten principles to guide the process consultant's actions (Cummings & Worley, 2001:219-220).

6.2.2.5 Giving feedback guiding principles

Before giving relevant feedback, process consultants first observe relevant events, ask questions to fully understand the venture and make certain that the feedback is given to the entrepreneur in a usable manner. The following are guidelines for effective feedback:

- The consultant and the entrepreneur must have consensus on the entrepreneur's goals.
- The consultant should emphasise description and appreciation.
- The consultant should be concrete and specific.
- The consultant and entrepreneur must have constructive motives.

- The consultant should not withhold negative feedback if it is relevant.
- The consultant should own his/her observations, feelings, and judgements.
- Feedback should be timed to when the consultant and the entrepreneur are ready.

6.2.3 ENTERPRISE DEVELOPMENT SUPPORT

6.2.3.1 What is enterprise development support (EDS)?

EDS refers to the provision of information, knowledge, skills, and advice on the various aspects of a business. It includes all external non-financial support to enterprises that:

- increases operational capacity,
- provides access to markets,
- improves management skills,
- improves financial efficiency, and
- provides access to networks and information.

Examples of EDS services include training, skills development, legal services, accounting and auditing, advertising, network brokering, business consulting.

6.2.3.2 Why is EDS Required?

The provision of financial support and funding to start-up entrepreneurs and entrepreneurs is not enough, and does not ensure their future survival. After start-up, entrepreneurs must acquire a variety of business skills to run their businesses. However, it is often overwhelming for a business with few employees to acquire these non-core skills. Entrepreneurs require EDS support to develop the skills in-house, or to outsource to local providers. EDS is therefore advantageous in ensuring the survival, productivity, competitiveness and growth of entrepreneurs. Figure 6.5 shows what the entrepreneur's world looks like, and how EDS services relate thereto.

Figure 6.5: Entrepreneur needs and services



6.2.3.3 Guiding principles for successful EDS initiatives

The following principles should guide EDS initiatives:

- EDS services must be demand-driven to ensure a more effective, positive impact.
- The business community must have a strong sense of ownership in the EDS initiative to ensure commitment.
- The EDS services must have maximum reach with the target audience.
- EDS services must be provided to the right clientele, and will make good use of the services.
- The EDS centre and its service providers must achieve financial stability to be sustainable over the long term.

6.2.3.4 What EDS services are to be offered?

EDS must include market- and sector-specific information, in addition to generic business advice, as shown in table 6.2.

Table 6.2: EDS services

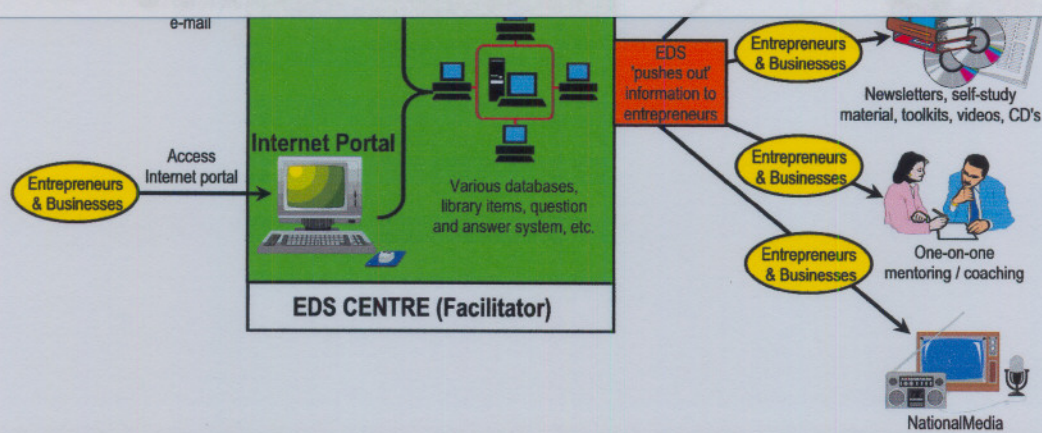
Type of service	Service type examples
Enterprise management services	▪ Accounting, tax and secretarial services; Analysis of financial statements; Financial planning. ▪ Legal and regulatory compliance advice; Internal audits; Sub-contracting arrangements. ▪ Preparation of business plans.
Marketing services	▪ Identifying and targeting attractive markets. ▪ Marketing of products and services. ▪ Development of local promotional activities.
Human resource development services	▪ Training of employees. ▪ Recruitment of employees (permanent, temporary and contract staff). ▪ Policies and procedures. ▪ Payroll services.
Technical / production services	▪ Technology information, equipment, and advice. ▪ Information on processing techniques and procurement of equipment / materials. ▪ Access to business facilities and infrastructure. ▪ Access to materials, supplies, and equipment.
Research and studies	▪ Sector-specific trends. ▪ Market research.

EDS must be relevant to the types of entrepreneurs it is being offered to, i.e. there must be a balance between general and industry specific support.

6.2.3.5 EDS success criteria

Successful EDS initiatives understand the markets they serve, and provide demand-driven services (Accenture, 2002). The following criteria are important:

- EDS services must be demand-driven to ensure a greater, more positive impact, and encourages clients to pay for the service they value.
- EDS services must be provided to the right clientele. The main objective of EDS is to facilitate growth, profitability and competitiveness of entrepreneurs. The EDS must therefore be provided to entrepreneurs who exhibit good entrepreneurial characteristics and can make good use of the services.
- The business community must have a strong sense of ownership in the EDS.
- The EDS centre must achieve maximum outreach. Maximum impact can be achieved by strengthening private sector service providers, creating better networks between service providers, and promoting informal systems of learning



The EDS model and figures of solution (6.6) and roles (6.9-6.11) to follow were reworked and adapted from Accenture's Micro Finance Skills Development Project Business Development Support Report (2002).

In terms of the EDS centre, EDS providers and the focus areas, the following serves as explanatory notes:

The EDS centre:

- Donor funded.
- Liases with all service providers and government organisations.
- Coordinates all material centrally.
- Sets national strategy and priority.
- Coordinates national delivery.

The EDS providers:

- Independent corporations located across the country.
- May obtain funding from EDS centre.
- Obtain accreditation by the EDS centre, and therefore trusted in the community.
- Operates under the national strategy set by the centre, but can adjust 'menu' of services based on local requirements.

Focus areas:

- Much emphasis must be placed on promoting a culture of entrepreneurship.
- Support and advice must be delivered at as local a level as possible.
- Use private companies, where possible, to provide services, thereby supporting entrepreneurial development.
- Initiatives must range from hi-tech (internet portals) to very simplistic (selling of training materials on the street).
- Initiatives are to be funded by a combination of public sector and private sector organisations.
- Mentoring and coaching should be included in the range of services.

The Centre must provide different levels of information services, depending on the complexity of the entrepreneur's requirements as shown in table 6.3.

Table 6.3: Different levels of information services

LEVEL 1: Business information	LEVEL 2: New company information	LEVEL 3: Commercial information
▪ The information provided is of a basic level. ▪ Network has town centre locations. ▪ Mostly interaction is by telephone and the Internet. ▪ Trained information providers deal with callers (via a toll-free phone number). ▪ Users can access a range of customised and proprietary databases (via telephone operator, or on-line). ▪ More advanced enquiries are referred on to specialist sources.	▪ Information relating to business planning, market potential, recruitment, property, sales and marketing. ▪ One-to-one sessions, seminars and training sessions. ▪ Delivered by experienced advisors. ▪ Decentralisation of advice to local agencies (e.g. Chamber of Commerce, or local authorities).	▪ Highly targeted advice. ▪ Exploit research from universities and institutes.

6.2.3.8 EDS delivery media

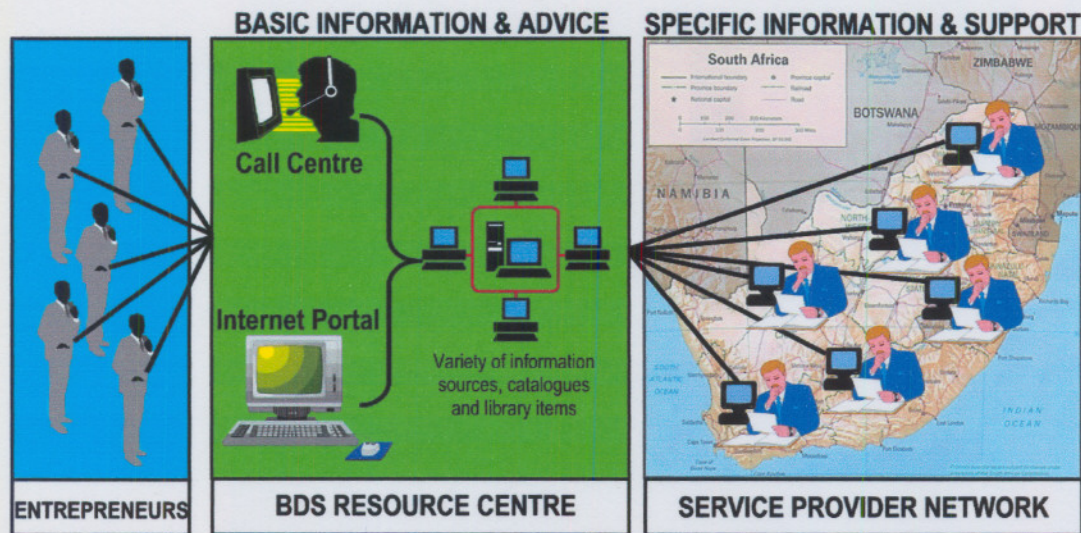
Highest priority should be given to those EDS delivery media that can be accessed by the majority of the target audience. A combination of an Internet portal and a telephone call centre will provide up-to-date information to practically the entire target audience, reaching both urban and rural users. Other than the Internet and telephone call centre, other media like radio, newsletters, videos and CDs should also be considered.

There will, however, always be a need for mentoring and face-to-face provision of information and support.

6.2.3.9 EDS delivery solution

Supporting the Internet and call centre portal with an 'on-the-ground' service provider network will ensure that the needs of the entire target audience are catered for as shown in figure 6.7.

Figure 6.7: EDS delivery solution



The revenue model supporting the EDS delivery solution is dependent on the types of services and information it will eventually provide. Figure 6.8 shows possible types of revenue.

Figure 6.8: Potential sources of revenue



A business case must be developed and agreed to ascertain the full financial benefits of setting up the EDS initiative.

6.2.3.10 Options for EDS delivery solution

The EDS model can either be implemented as a centre and network combination, or the various components can be implemented independently. Table 6.4 explains the options with its advantages and disadvantage.

Table 6.4: EDS delivery solution options

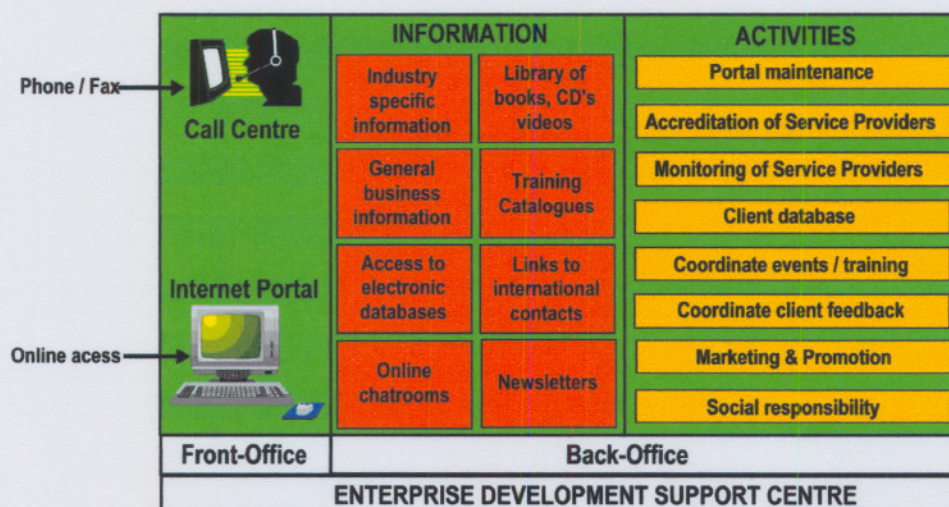
	OPTION 1 EDS resource centre only	OPTION 2 Service provider network only	OPTION 3 EDS resource centre and SP network
Advantages	▪ Easy to develop and manage. ▪ Supports entrepreneurs who have minimal technical capability (telephone is minimum requirement). ▪ 24 x 7 availability. ▪ Few players involved, therefore low political impact. ▪ Latest, up-to-date information. ▪ Relatively cheap.	▪ Supports entrepreneurs who have minimal / no technical capability. ▪ Contributes to development of local entrepreneurs, and of the community. ▪ SPs provide sector / community specific research.	▪ Caters to full spectrum of entrepreneurs (low – hi tech). ▪ Continuous feedback loop for support, training and services needs. ▪ SPs provide sector / community specific research. ▪ EDS resource centre supports SPs. ▪ Contributes to development of local entrepreneurs and the community. ▪ 24 x 7 availability.
Disadvantages	▪ No network of SPs for walk-in clients (rural areas). ▪ No community or sector-specific information is easily accessible.	▪ Selection of credible SPs may be difficult. ▪ Information and skills may be outdated. ▪ No central information support for SPs. ▪ Complicated management of SPs. ▪ 8 – 5 availability.	▪ Many political players involved. ▪ Governance structure may be complicated. ▪ Selection and management of SPs may be complicated.
Recommendation	☺	☹	☺

A full implementation is recommended to ensure efficient support for the entrepreneur and the service provides, and for effective information provision.

6.2.3.11 Role of the EDS centre

The EDS centre will be a hub for all information relating to entrepreneurship and entrepreneurial leadership, and will coordinate activities between the entrepreneur and the service providers, as shown in figure 6.9.

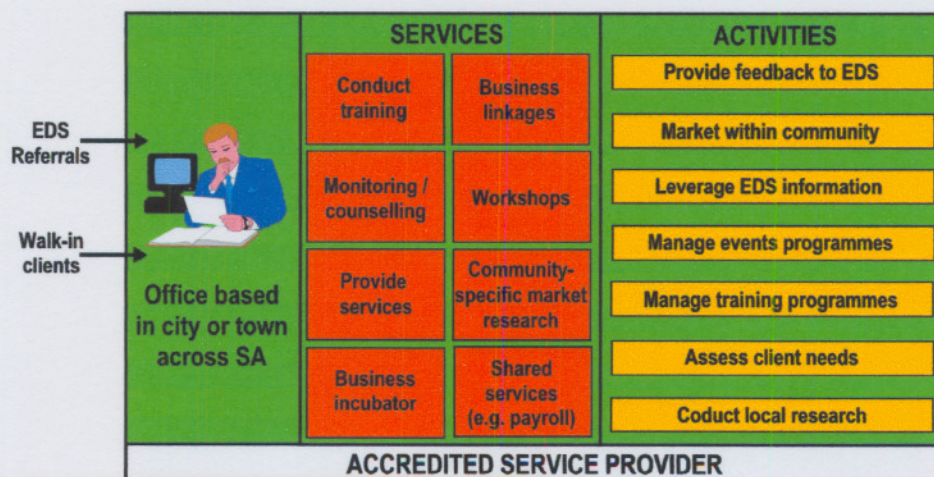
Figure 6.9: Role of the centre in terms of EDS



6.2.3.12 Role of the service providers

The SPs should be sustainable businesses, and will be accredited and monitored by the EDS centre. Figure 6.10 shows the services and activities of the service provider.

Figure 6.10: Service provider role

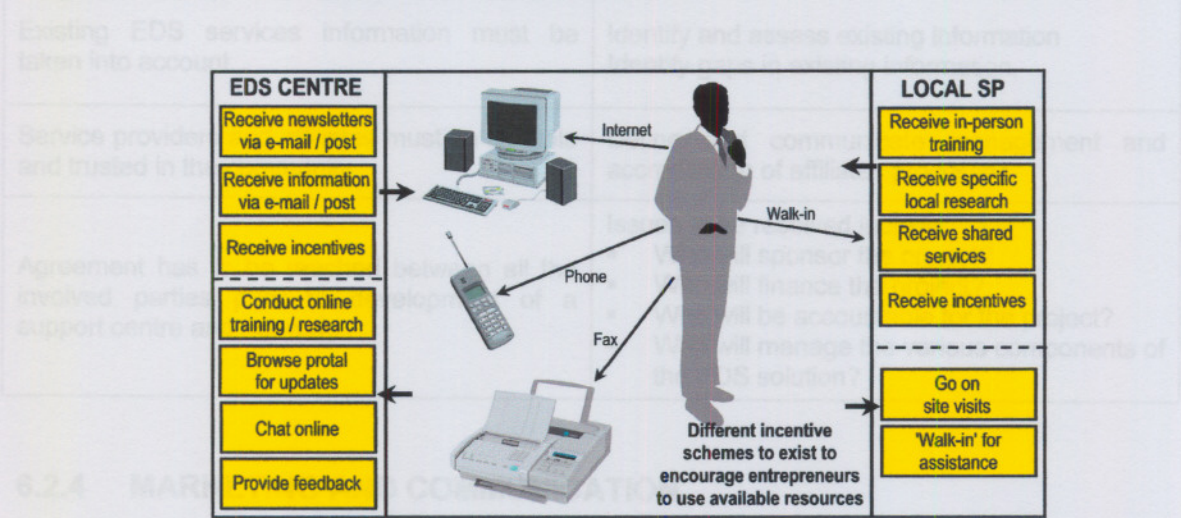


There are many service providers located around South Africa, providing a diverse range of services. To ensure credibility and sustainability, very specific accreditation criteria must be enforced on the service providers providing services to entrepreneurs

6.2.3.13 Role of the entrepreneur

The entrepreneur will experience a “pull and push” of information from the various resources as shown in figure 6.11.

Figure 6.11: The entrepreneur’s experience



6.2.3.14 Challenges to implementing EDS model

Comprehensive design of processes and of roles and responsibilities is required to ensure efficient operation of the EDS initiative and address the implementation challenges as shown in table 6.5.

Table 6.5: EDS implementation challenges

Challenges	Actions
Resource centre employees must be adequately skilled.	Recruit call centre operators with entrepreneurial experience.
Defining a satisfactory business case for the revenue model.	Identify the revenue model, sources of income and sources of costs of the initiative.

The promotion of the centre must follow a combination between a push strategy (using sales force and trade promotion to push SACEL through channels) and a pull strategy (advertising and customer promotion to build up demand, which pulls SACEL through the channels).

6.2.4.1 The promotional objective

To create a consuming awareness of SACEL with the South African population that will lead to intimate knowledge, liking and preference of the centre, thereby convincing them to utilise its offerings.

6.2.4.2 The message design

SACEL's message should get attention, hold interest, arouse desire, and lead to action by effective message content structure and format. The central appeal or theme must produce the desired results, namely utilisation of SACEL services. SACEL's theme must furthermore address the rational level (self-interest) and emotional levels (stirring up positive emotions) of the target audience.

6.2.4.3 Setting the overall promotional mix

Advertising:

- Television: Television can reach very large audiences. National TV (SABC 1, 2, 3 and E-TV) is to be used.
- Printed media: Full colour advertisements are to be placed. Billboards at selected main routes to and from office centres.
- Internet: An interactive website must be maintained with full disclosure of the services, information and service providers.
- Movie theatres: Motion picture advert prior to main attractions of selected movies typically viewed by target audience.
- Appoint and advertising firm for the advertising function.

Personal selling:

- Highly professional sales individuals with a passion for entrepreneurship must approach corporate clients for intrapreneurial development. Presentations are to be made to decision-makers, and regularly followed up with telephone calls and keeping the customer updated with information. Long-term relationships are at the heart of personal selling, and sales executives are to be responsible for corporate accounts looking after the needs of the customer; keeping them happy.

- Personal selling should also be aimed at selected reputable service providers, known for their professionalism and quality of service excellence.

Sales promotion:

- Lobby with business publications for editorials on centre.
- Arrange special packages and promote through the TV media channels.

Public relations:

A glossy printed SACEL newsletter featuring news, events, new facilities, editorials on selected entrepreneurs, features and attractions, is to be mailed quarterly to stakeholders, as well as to potential customers from data purchased from marketing research companies. An electronic version can be e-mailed to save on conventional mailing costs. Employ the services of the public relations officer to handle press releases.

Direct marketing:

- Telemarketing is often regarded by busy executives as a nuisance, and should rather be refrained from.
- Direct mail: High quality glossy brochures should be directed at the target audience from data purchased from marketing research firms.
- Electronic mail: Short, powerful and convincing e-mail adverts are to be directed to the target audience at monthly intervals.
- Customer database are to be maintained for this purposes.

6.2.4.4 Integrating the promotional mix

The promotional mix needs to be wholly integrated to be effective and achieve the desired results. The components are discussed below.

Spending budget – Allocation to promotional tools:

- Advertising = 40%
- Personal selling = 10%
- Promotion = 10%
- Public relations = 20%

- Direct marketing = 20%

Contact points:

- Home.
- Office.
- Movie theatres.
- Airports.
- Board rooms.
- Billboards on selected main routes.

Communications planning:

Engage all communications functions in joint planning. Include all stakeholders like government, private sector, service providers, advertising agency, and all SACEL departments at every stage of communications planning.

Themes, tones and quality:

- Professional.
- Creative.
- Depicting South Africa as a winning nation and significant player in the world economy.

Performance measures:

- Exit interviews: Conducting brief questionnaires with learners after skills training.
- Random interviews: Conducting brief service questionnaires with customers at random.
- Research questionnaires: Mail marketing research questionnaires to sample of target audience with accompanying incentives (change to win money).

6.2.5 FINANCE AND FUNDING

A lack of sufficient capital and credit is often a major handicap to the development of SME's, particularly in their early growth stages. International evidence (within developing countries) indicates that close to 95% of all SME's have to rely solely on

the personal resources of their owners and / or loans from friends and relatives to finance such enterprises (Falkena *et al.*, 2001:22).

Nevertheless, in South Africa, as in many other countries, there is a false perception that an ample supply of debt financing to SME's will overcome most of their development problems. In practice SME's with a proven track record hardly ever experience a shortage of debt financing (Falkena *et al.*, 2001:54).

Government's small business development policy in terms of financing should be re-orientated, away from being debt-orientated, to emphasise initiatives that support or facilitate the provision of equity to SME's, and should therefore support the expansion and / or establishment of venture capital funds.

6.2.5.1 The concept of 'business angels'

Private investors who invest directly in private unlisted companies, in return for an equity stake, and who perhaps take a seat on the company's board, are often referred to as 'business angels'. The concept of business angels is relatively unknown in a fiscal sense in South Africa (Falkena *et al.*, 2001:60).

Compared to other developing countries, South Africa has the advantage of having a number of 'high net worth individuals', some of them with the potential of acting as business angels. This gives business angels a true responsibility to make up for the scarce savings available to financial institutions, and therefore fill a gap (Falkena *et al.*, 2001:62).

Looking at the formal venture capital markets in South Africa, the average person will find it surprising that, compared to the size of the economy, the South African venture capital sector is one of the most developed, with 4,2% of GDP or R33,1 billion under management. This compares to only 2,3% of GDP in the UK or 1,3% in the Netherlands. Only Israel (12,1%) and the USA (4,9%) is the venture capital market relatively more significant than in South Africa (Falkena *et al.*, 2001:69).

South Africa should start to develop a business-angel culture, which in turn would encourage private investors to finance small or micro businesses directly. Fiscal assistance is however recommended to encourage such investment more meaningfully. Therefore, in order to develop SME's in South Africa, it is vital to support the creation of a local business-angel culture. At the same time, the venture-capital market on the JSE should be revived, and possibly, on the Internet has to be instituted. The private and the public sector both have an important role to play in this regard.

6.2.5.2 Private-sector recommendations to support business angels and the venture capital markets

Private sector initiatives flow mainly from the banking sector, since banks are *de facto* not only the major creditors in the country, but also the major securities firms on the JSE. It is recommended that banks and other credit providers assist business angels by instituting legislation that allows for greater information sharing on SME debt profile and repayment performance.

6.2.5.3 Public sector recommendations to support business angels and the venture capital markets

In the public sector the DTI and the National Treasury are able to give *equity-based* support to SME's. The following recommendations are made in terms of the DTI:

- Financial support should be granted to SACEL to create a non-profit matchmaking service for business angel investors and a forum to link SME-related parties.
- In the regulatory environment for credit bureaux, an investigation should be launched to investigate the extent to which credit bureaux meet the information needs that would facilitate greater SME lending.

The following recommendations are made in terms of the National Treasury:

- Fiscal support for business angels is recommended, for example tax incentives.
- Recognition for the creation of venture capital as an accepted form of prudential investment for institutional investors, within certain limits.

6.2.5.4 Role and function of SACEL to support business angels

SACEL need to set up and manage an Internet portal to facilitate information sharing and 'match-making' with emphasis on the following:

- Internet-based bulletin board and electronic meeting room where venture-capital firms and business angels could be introduced to one another electronically.
- Listing of entrepreneurs and/or ventures who are looking for equity finance with full disclosure of the business plan and financials.
- When a sustainable venture capital culture is established among corporates and private persons, a joint venture between Government, SACEL and the banks must be established to create an Internet exchange specialising in trade in venture capital.
- In conjunction with the National Treasury, the establishment of an electronic public financial information agency to facilitate access of small enterprises' financials to interested parties.

6.2.5.5 Disadvantaged individuals and start-ups

An overarching concern is that previously disadvantaged individuals do not have adequate access to formal financial institutions and, therefore, are forced to seek relatively expensive (and often inadequate) amounts of credit from alternative financial intermediaries, sometimes illegally. Several reasons account for the lack of access. These include lack of collateral, bad or no credit histories, an exaggerated risk perception of previously disadvantaged borrowers, discrimination on the basis of gender and race, and inability to afford the current high levels of interest rates.

Therefore a venture capital trust fund needs to be established with government and private sector donor funds, and managed by SACEL.

Previously disadvantaged entrepreneurs desirous to start their own businesses could then approach SACEL for assistance in this respect. SACEL, through its service provider network, will then conduct an interview with the entrepreneur of the proposed business venture. Based on the information supplied, and bringing it into relation with sound business practice, a decision will be made whether to continue the process. If

the preliminary interview proved successful, it will be followed up with a comprehensive interview with the entrepreneur. During this interview, detailed information will be gathered, analysed and assessed, and a viability study conducted. If the idea or concept proves viable, but the individual lacks business skills, he or she could undergo a training programme provided by SACEL. After the viability study has been successfully conducted, a formal business plan will be compiled accompanied by the recommendations of an official of SACEL, and forwarded to the loan division for assessment and approval of the finance required to set up the business.

SACEL will manage the process, and no monies will initially be handed to the entrepreneur. Management of the venture will gradually be handed over to the entrepreneur, although SACEL will remain involved to ensure compliance with sound business practices. An official of SACEL will be assigned to the project to carefully monitor the business activities. Throughout the process, the entrepreneur's skills will be monitored, and any shortfalls will be addressed by training and development of the individual. The management of the process by SACEL is also necessary to ensure that risk of the financial investment is minimised, and repayment of the loan is done on time in the proper manner. As the entrepreneur proves his / her competence, monitoring will gradually be lessened up to a point where contact is made weekly, and thereafter monthly.

The establishment of new SME's and their development to grow and prosper is the core focus. The service typically consists of the following process (varying nuances in terms of specific needs):

- Pre-selection interview.
- Comprehensive selection interview.
- Viability study.
- Business plan.
- Finance application.
- Training and development.
- Registering business entity.
- Register with SARS (Income tax, employee tax, VAT, skills development levy), regional council levy, UIF, compensation commissioner.

- Open bank account.
- Set up of infrastructure (Furniture, fittings, technology, machinery).
- Mentor and coach.
- Release.
- Audit, evaluate and monitor.

Figure 6.12 shows the centre's value chain in terms of new venture consulting.

Figure 6.12: New venture consulting value chain



To address high human resource requirements for facilitating projects, BCom Honours students from universities will be sourced with the assistance of professors, and utilised under supervision of company officials. By doing this, students can apply theory, be exposed to real world scenarios, and earn money for themselves as part-time employees.

The best way to protect stakeholder investment is to ensure that loans are managed and operated effectively. This can largely be ensured by setting clear policies and practices with regard as to how loans must be administrated and then to ensure that the management and staff of SACEL are fully informed and trained to execute it according to the required standards.

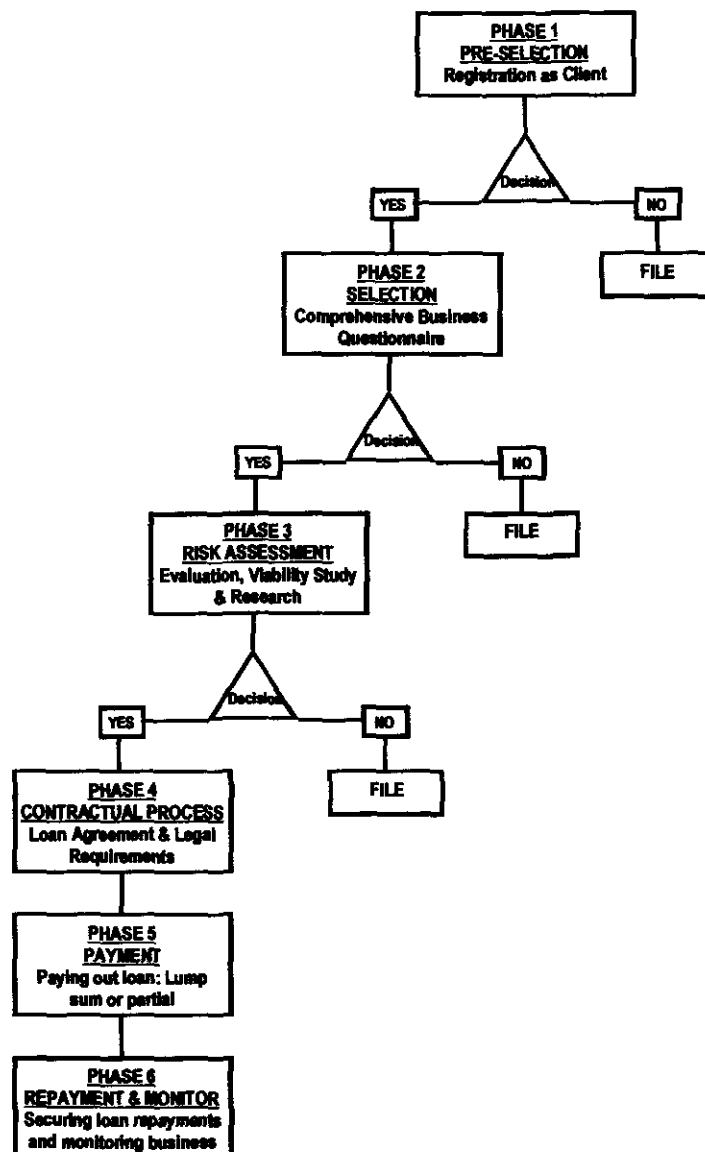
The Process:

- Phase 1: Pre-selection – Registration as client.
- Phase 2: Selection – Comprehensive questionnaire.
- Phase 3: Risk assessment – Evaluation, viability study and research.
- Phase 4: Contractual process – Loan agreement and legal requirements.
- Phase 5: Payment – Paying out loan.

- Phase 6: Repayment and monitor – Securing loan repayments and monitor business activities.

The above process forms the framework and will necessarily consist of various smaller activities throughout the process. This will be explained in the remainder of the document. It is, however, important to note that due to the nature, diversities and different nuances in terms of SME loans, a single set of rules will not apply, and each will be treated on own merit. For clearer understanding of the process, the flowchart in figure 6.13 highlights the main steps in the process.

Figure 6.13: Selection process flowchart



6.2.5.6 PHASE 1

The better the selection is done the less the chances that SACEL will suffer losses because of bad debt. A general mistake made by financiers in their eagerness to draw new clients and do business, is to sacrifice quality for quantity by not doing proper risk assessments and viability studies. Of the routine steps that must be performed conscientiously are the following:

- Ensure that application form is completed in full.
- Confirm correctness of personal details.
- Confirm applicant's loan history with other institutions.
- Analyse applicant's bank statements.
- Analyse applicant's liabilities.

6.2.5.7 PHASE 2

If the applicant was successful in phase 1 of the selection process, phase 2 of the selection process must be scheduled with the client for a time convenient to both parties, as this stage in the process could be time consuming.

When scheduling the appointment, the applicant must be informed to bring along all documents relating to phase 2 when he/she comes for the comprehensive interview. The contents of the questionnaire should be handed to the applicant in order for him/her to familiarise himself/herself with the contents in order to be fully prepared on arrival, as this is the stage in the process where we get down to the "nuts 'n bolts" – the fine detail of the proposed business venture. From the questionnaire content the applicant will determine what information and/or documentation to bring along.

Take note that the level of the applicant's education will determine the eventual interview. The consultant should be sensitive towards the applicant, and must guide the applicant. In some cases the consultant will have to facilitate the whole questionnaire, and explain what certain points mean. Discretion should be used as progress is made through the questionnaire process.

Also note that the questionnaire is a guideline, and depending on the nature, size, and complexity of the proposed business, will determine which questions could be overlooked or not. The more complex the business, the more complete the questionnaire need to be.

During the interview, special note must be taken of the following:

- Marketing plan: Market, product or service, pricing, promotion, place, and people.
- SWOT Analysis: Depicting the internal strengths and weaknesses, and the external opportunities and threats.
- Industry analysis: Competitors, suppliers, substitutes, and entry threats.
- Location analysis: Location, premises and renovations.
- Production plan (manufacturing only): Plant and equipment.
- Management: Business experience and other staff requirements.
- Resources required: Resources, the capital required as well as why they're needed.
- Financial plan: Depending on complexity, budget and forecasts.
- Appendix: Information and documents to substantiate proposed venture.

After the interview has been concluded, and all information pertaining to the proposed venture has been gathered, and in the opinion of the consultant the application should be pursued further, the applicant has to be informed that the next phase (Phase 3: risk assessment) will now take effect, and that he/she will be informed on the outcome of the risk assessment and viability study. The consultant must commit to contact the applicant by a specific date and time.

6.2.5.8 PHASE 3

Phase 3 in the selection process, namely the risk assessment phase, is typically the most difficult and time-consuming part of the whole process. This is where the Consultant will have to rely on his/her skills and experience to gather accurate information in order to make a responsible decision.

Assuming the applicant's personal profile was already assessed in phase 1, and passed the basic criteria, the challenge in this phase mainly lies with the evaluation and viability study of the proposed venture. Again everything will not be clear-cut, and the consultants "gut-feel" based on his/her experience will also play a role.

The main question that needs to be answered is: "Is there a real need for the product or service, and will the proposed venture meet the need?"

To guide the consultant through the risk assessment process, a simple scoring model has been designed (See annexure D). The steps in the model coincide with the steps in the comprehensive questionnaire, and will assist the consultant in his/her decision-making. The consultant's ratings should always be underpinned by sound business principles, management- and economic sciences, objectivity, laws of supply and demand, and not merely on emotion or "thumb-suck."

During the risk assessment stage, the Consultant will, with the aid of the model, engage in activities such as the following:

- Continuous dialogue with the applicant.
- Visits to the proposed business location.
- Financial accounting techniques.
- Managerial accounting techniques.
- Managerial statistics techniques.
- Internet research.
- Obtaining information from local town councils.
- Obtaining information from Statistics South Africa.
- Obtaining information from market research institutions (e.g. Markinor).
- Obtaining information from local and national business chambers.
- Obtaining information from Department of Trade and Industry.

The list is by no means complete. Consultants will determine the inputs in relation to the nature of the project.

The ratings for sub-sections and sections of the model will also assist consultants to determine areas of weakness, and to take corrective steps whilst in the process. If something is improved, the score could be altered.

When, in the opinion of the consultant, the final point has been reached, and an average total score have been calculated, the following could serve as a guideline for the final decision.

A total average score of 3 – 5 indicates a strong case.

A total average score of 3 indicates a medium case.

A total average score of 1 – 2 indicates a weak case.

It is important to note that this is merely a guideline, and not the sole criteria for a final decision.

6.2.5.9 PHASE 4

The 4th phase in the selection process is the actual contracting between the lender and SACE. Contracting refers to the following:

- Loan agreement.
- Deliverables agreement.
 - Actions and undertakings by lender.
 - Actions and undertakings by borrower.

DELIVERABLES AGREEMENT

The deliverables agreement refers to actions and undertakings between the lender and the borrower. Both parties are hereby bound to certain things that need to be done in order to ensure the effective set-up of the business, as well as proper management of the loan funds. Depending on the nature of the business, this could mean that funds are only released subject to certain activities. This could include (but not limited to) any of the following:

By Lender:

- Ensure borrower is adequately trained.
- Managing set-up process.
- Ensure that all legal requirements are met.
- Ensure infrastructure meets required standards.
- Manage release of funds as business progress.
- Mentor and coach.

By Borrower:

- Timely loan repayments.
- Predetermined periodic reporting.
- Submitting documentary proof (invoices) of purchases made.
- Reporting problem areas and deviations from plan.
- Submitting to training, mentoring and coaching.

It is not merely an issue of granting a loan to an applicant, but also to ensure that all mechanisms and infrastructures are put in place to get the business venture going. This concerns literally taking the applicant by the hand and walking the distance with him/her to ensure the proper set-up of the business, and establishing it as a viable concern, thereby ensuring prudent management of the loan amount and the ability to make repayments in time and in the right amounts.

Just giving the money to an applicant and leaving him/her to do all things himself/herself could very much lead to mismanagement of funds, getting stuck in the set-up, and eventual bad debts.

The nature of the guidance will be dependant on the knowledge, skills and education of the applicant. An experienced businessman/-woman will not require as much guidance and assistance as a complete novice. Issues that need to be covered in the guidance process can include all or some of the steps as discussed in paragraph 5 of sub-section 6.2.5.5.

6.3 SUMMARY

The recommended national strategy for entrepreneurial development with the South African centre for entrepreneurial leadership as driver of the strategy will create central coordination of entrepreneurial development in South Africa. It will ensure government and private sector involvement, and enable aligned commitment. What currently looks like a sandstorm could change to order and structure. There will no longer be dancing to the beat of one's own drum, but rather a synchronised rhythm that allows all stakeholders to dance to the same beat.

The most critical part of the strategy, however, is government's buy-in. Without it the status quo will unfortunately be sustained. As custodian of South Africa's economic growth, the government will ultimately be the key player to make the recommended strategy work. Everything rises and falls on leadership (Maxwell, 1993:182). So will entrepreneurial development in South Africa. South Africa's leaders, the government, will have to understand that this is the hour for radical transformation in terms of the way entrepreneurial development has been approached. Hubert H. Humphrey said, "There is no party, no Chief Executive, no cabinet, no legislature in this or any other nation, wise enough to govern without constant exposure to informed criticism" (Maxwell, 1993:173). This is also true for South Africa's leaders.

As for the rest of the nation to follow, there are two ways to get others to do what you want: You can compel them to do it or you can persuade them. Compulsion is the method of slavery; persuasion is the method of free men (Maxwell, 1993:182). Persuading the nation with a compelling theme will make them follow the leaders to places they wouldn't have gone by themselves – embracing entrepreneurship as a way of life.

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11	SA has sufficient finance mechanisms to new entrepreneurs				
12	In general SA has a climate and culture that promotes entrepreneurship				
13	SA's technological status is conducive to entrepreneurial activity				
14	SA's human resources are entrepreneurially inclined				
15	SA compares entrepreneurially favourable with the rest of the world				

ANNEXURE A

SURVEY QUESTIONNAIRES

1. SOUTH AFRICAN ENTREPRENEURIAL OPINION SURVEY

Complete the survey by indicating to what extent each of the following statements are true regarding your views and attitudes about Entrepreneurship in South Africa. Mark your choice with an "X" in the appropriate block.

		DEFINITELY AGREE	INCLINED TO AGREE	INCLINED TO DISAGREE	DEFINITELY DISAGREE
1	In general SA is an entrepreneurial country				
2	Entrepreneurship is linked to SA's economic development and growth				
3	The SA Government's current initiatives is sufficient to promote entrepreneurial activity in SA				
4	There is aligned commitment between the public- and private sector to promote entrepreneurial activity in SA				
5	SA's educational system is effective in promoting entrepreneurship and entrepreneurial skills development				
6	SA's Political- and Economic policies are conducive to entrepreneurial activity				
7	SA's legislation and regulatory requirements are conducive to entrepreneurial activity				
8	SA's infrastructure is conducive to entrepreneurial activity				
9	SA's social context is conducive to entrepreneurial activity				
10	SA has sufficient support mechanisms for current entrepreneurs				
11	SA has sufficient finance mechanisms to new entrepreneurs				
12	In general SA has a climate and culture that promotes entrepreneurship				
13	SA's technological status is conducive to entrepreneurial activity				
14	SA's human resources are entrepreneurially inclined				
15	SA compares entrepreneurially favourable with the rest of the world				

2. ENTREPRENEURIAL MANAGEMENT COMPETENCIES SURVEY

Certain competencies are critical for successful entrepreneurship. Please share your opinions on each of the management competencies stated below by placing an "X" in the column that best describes your view in terms of skills requirements to ensure success in a venture

		CRITICAL	VERY DESIRABLE	NOT NECESSARY
A MARKETING				
1	Market Research and Evaluation			
2	Market Planning			
3	Product Pricing			
4	Sales Management			
5	Direct Selling			
6	Direct Mail / Catalogue Selling			
7	Telemarketing			
8	Customer Service			
9	Distribution Management			
10	Product Management			
11	New Product Planning			
B OPERATIONS / PRODUCTION				
1	Manufacturing Management			
2	Inventory Control			
3	Cost Analysis and Control			
4	Quality Control			
5	Production Scheduling and Flow			
6	Purchasing			
7	Job Evaluation			
C FINANCE				
1	Accounting			
2	Capital Budgeting			
3	Cash Flow Management			
4	Credit and Collection Management			
5	Short-Term Financing			
6	Public and Private Offering Skills			
D ADMINISTRATION				
1	Problem Solving			
2	Communications			
3	Planning			
4	Decision Making			
5	Project Management			
6	Negotiating			
7	Personnel Administration			
8	Management Information Systems			
9	Computer			
E INTERPERSONAL TEAM				
1	Leadership / Vision / Influence			
2	Helping / Coaching			
3	Feedback			
4	Conflict Management			
5	Teamwork and People Management			

Certain competencies are critical for successful entrepreneurship. Please share your opinions on each of the management competencies stated below by placing an "X" in the column that best describes your view in terms of skills requirements to ensure success in a venture

		CRITICAL	VERY DESIRABLE	NOT NECESSARY
F LEGAL & REGULATORY				
1	Corporations (Organisation Types)			
2	Contracts			
3	Taxes			
5	Patents and Proprietary Rights			
6	Real Estate			
7	Bankruptcy			

3. IMPROVING SOUTH AFRICAN ENTREPRENEURIAL ACTIVITY OPINION SURVEY

Complete the survey by indicating to what extent each of the following statements are true regarding your views and attitudes about improving Entrepreneurship in South Africa. Mark your choice with an "X" in the appropriate block.

		DEFINITELY AGREE	INCLINED TO AGREE	INCLINED TO DISAGREE	DEFINITELY DISAGREE
1	SA should develop and implement a National Strategy for Entrepreneurial Skills Development				
2	Make Entrepreneurship an official subject of Primary- & Secondary School Curricula				
3	Set up a Centre for Entrepreneurship for coordination of skills development on a national level across all sectors of society				
4	Use the media (TV & Newspapers) to condition SA society to promote an entrepreneurial culture and climate				
5	Formal Banking Sector should initiate more venture capital initiatives				
6	Government to have a budget for start-up capital for ventures among previous disadvantaged communities				
7	Government to seriously reassess their current initiatives (Khula, Ntsika) to ensure their existence are justified				
8	SA business should foster entrepreneurship in their organisations to unlock innovation and creativity				
9	Government should initiate an extensive workshop including delegates from public- and private sector to address entrepreneurial skills development in SA				
10	SA should just keep on doing what its doing and we'll be OK				

If you were the Minister of Trade & Industry with a mandate from the State President and Parliament to use any resources you require to improve the entrepreneurial activity in SA, what three things would top your list?

1	
2	
3	

ANNEXURE B

BREAKDOWN OF SURVEY SAMPLE

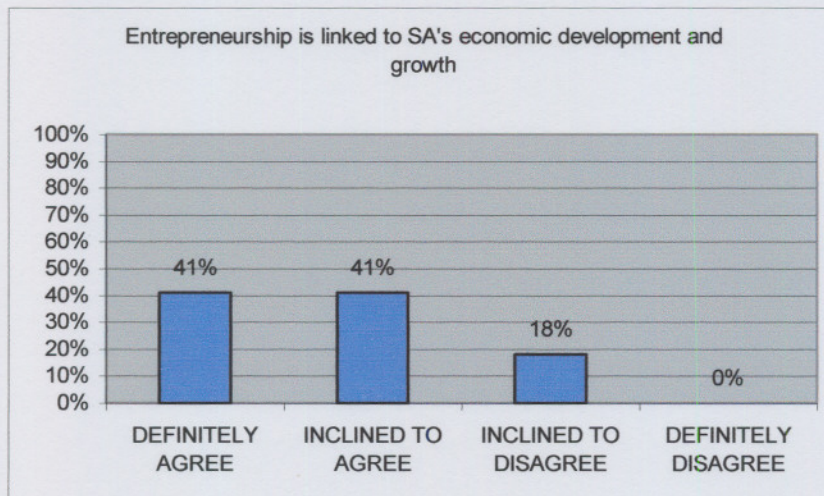
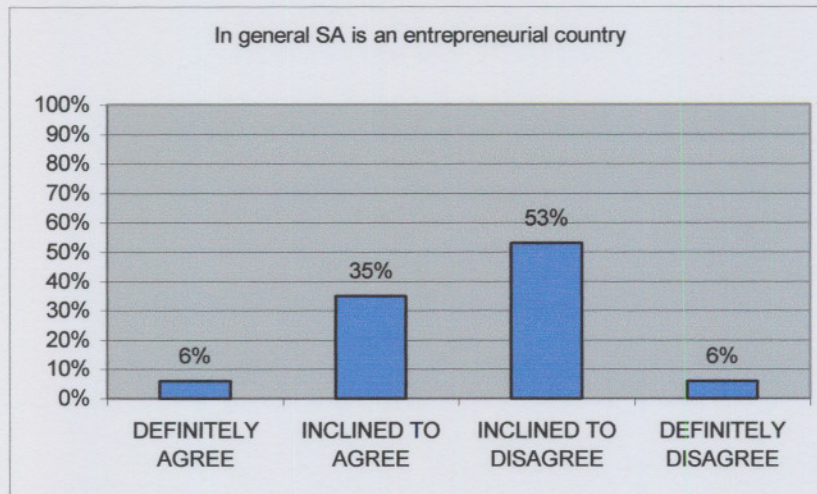
	Name	Occupation	Industry	Province	Exposure	Resp
1.	Wimpie Erasmus	Entrepreneur	Building	Western Cape	Local	No
2.	Willie Els	Investment Specialist	Financial Service	Gauteng	National	No
3.	Ina Wiken	Chairman	Consumer Council	Gauteng	National	No
4.	Wendy Pienaar	Management Consultant	Consulting	Gauteng	National	No
5.	Wayne Phillips	Management Consultant	Consulting	Kwa-Zulu Natal	International	No
6.	Wally Gray	Financial Consultant	Financial Services	Gauteng	National	No
7.	Serge Tambwe	Production Manager	Manufacturing	Gauteng	National	Yes
8.	Sarah Babb	Human Resource Consultant	Training & Development	Gauteng	National	No
9.	Rein van Veen	Managing Director	Financial Services	Western Cape	National	No
10.	Pieter Theron	Business Consultant	Consulting	Gauteng	National	No
11.	Piet Johanssen	Business Partners	Consulting	Gauteng	National	No
12.	Chris van der Merwe	Entrepreneur	Tourism	Limpopo	International	No
13.	Lana Van Zyl	Dept. of Trade & Industry	Government	Gauteng	National	No
14.	King Rapoo	Banking: Business Fin.	Banking	Gauteng	Local	No
15.	Khumbu Sithole	HR Manager	Telecommunications	Gauteng	Local	No
16.	Joubert Hay	Chartered Accountant	Investment Banking	Gauteng	National	No
17.	Johanna Kussmaul	Entrepreneur	Media	Gauteng	International	No
18.	Johan de Swardt	Counselling Psychologist	Professional Services	Gauteng	National	No
19.	Jan van Rooyen	Management Consultant	Consulting	Gauteng	National	No
20.	Jacques Snyman	Management Consultant	Consulting	Gauteng	International	No
21.	George Richardson	Snr. Financial Manager	Parastatal	Gauteng	National	Yes
22.	George Rex	Management Consultant	Consulting	Gauteng	International	Yes
23.	Fazel Tim	Pharmacist	Pharmaceutical	Gauteng	National	No
24.	Dr. Jan Geldenhuys	Financial Advisor	Financial Services	Gauteng	National	No
25.	Dr. Johan Delport	Reserve Bank	Government	Gauteng	National	No
26.	Deon de la Harpe	Chartered Accountant	Financial Services	Gauteng	Local	No
27.	Cor van Rijswijk	Entrepreneur	Personnel Placement	Gauteng	Local	No
28.	Chris de Beer	Chartered Accountant	Professional Services	Gauteng	National	Yes
29.	Carlo Lötter	Chartered Accountant	Professional Services	Gauteng	International	No
30.	Callie Roos	Management Consultant	Consulting	Gauteng	National	No
31.	André Botha	Snr. Manager IT	Banking	Gauteng	International	Yes
32.	Gert Brummer	Manager: Advanced Training	Training & Development	North West	National	No
33.	Adél Malan	Human Resource Consultant	Consulting	Gauteng	International	No
34.	Leon de Wit	Chairman, CEO	Financial Services	Gauteng	International	No
35.	David Portius	Chief Executive Officer	Financial Services	Gauteng	National	No
36.	Richard Plant	Bank Seta	Banking	Gauteng	National	No
37.	Dr. Kobus Nel	Director	Consulting	Gauteng	International	No
38.	Kobus Hoon	Management Consultant	Consulting	Gauteng	International	No
39.	Saleem Sheik	Chartered Accountant	Professional Services	Gauteng	National	No
40.	Willie Oosthuizen	Managing Director	Consulting	Gauteng	National	No
41.	Danie de Villiers	Chartered Accountant	Venture Capital	Gauteng	National	Yes
42.	Fritha Davidson	Partner	Consulting	Gauteng	National	No
43.	Danie Erasmus	Investment Consultant	Consulting	Gauteng	National	No
44.	Graham Liversage	Director	Information Technology	Gauteng	International	No
45.	André Venter	Industrial Psychologist	Professional Services	Gauteng	National	Yes
46.	Daan Maré	MD / Entrepreneur	IT & Venture Capital	Gauteng	International	Yes
47.	Max Oerder	Management Consultant	Consulting	Gauteng	National	Yes
48.	Peter Setou	GM: Training & Education	Regulatory	Gauteng	National	Yes
49.	Gabriël Davel	Chief Executive Officer	Regulatory	Gauteng	National	No
50.	Prof. Aart Boesenkool	Professor: Business Man.	Education	Gauteng	National	No
51.	Mark Cotterell	Chairman	Consulting	Gauteng	International	Yes
52.	Peggy Drodskie	SACOB: African Affairs	Chamber of Commerce	Gauteng	International	No
53.	Bill Lacey	SACOB: BEE	Chamber of Commerce	Gauteng	International	No

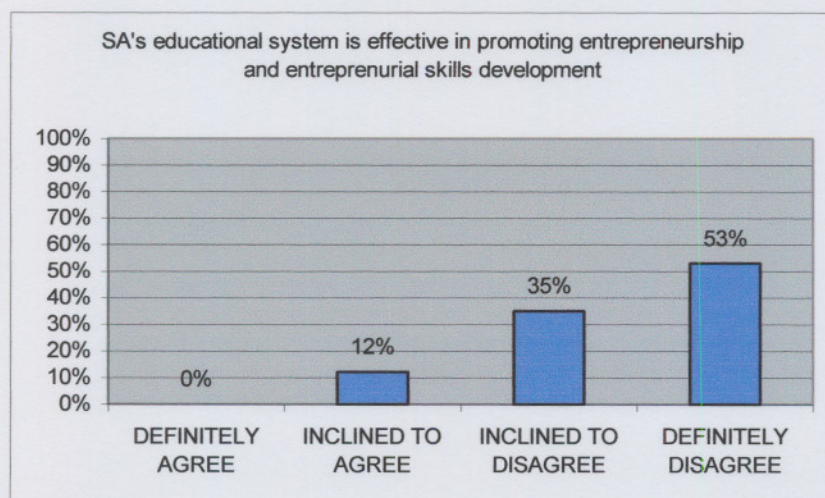
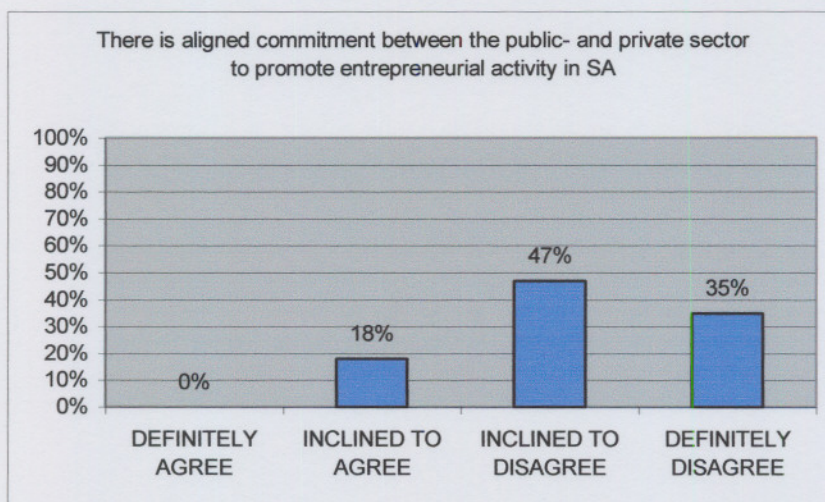
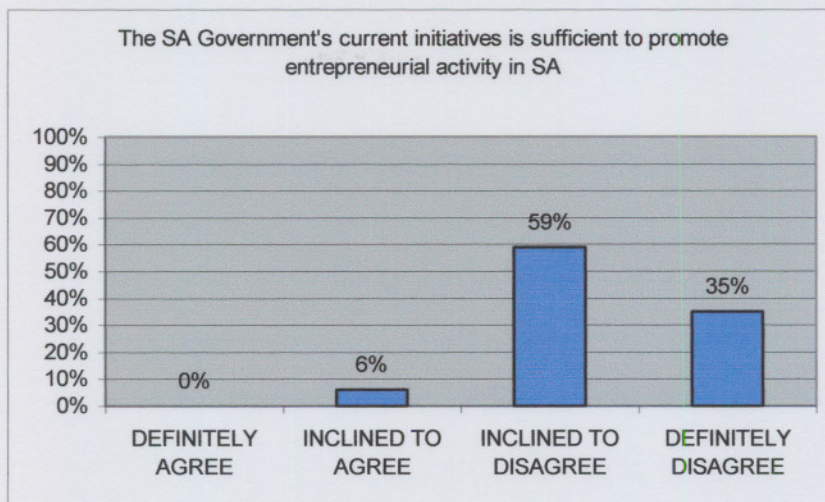
54.	Carol O'Brien	SACOB: HIV / Aids	Chamber of Commerce	Gauteng	International	No
55.	Jon Machanik	SACOB: Inf., Comm's, Tech.	Chamber of Commerce	Gauteng	International	No
56.	Jakob Jordaan	Management Consultant	Consulting	Gauteng	National	Yes
57.	Jan Grobler	Management Consultant	Franchising	Gauteng	National	Yes
58.	Unre Visagie	Entrepreneur / Consultant	Consulting	Gauteng	National	Yes
59.	Pamela Mgulwa	Managing Member	Consulting	Gauteng	National	Yes
60.	Clement Manny	Director	Consulting	Gauteng	National	Yes
61.	Robert Smook	HR Director	Manufacturing	Gauteng	International	Yes
62.	Hein Schröder	Clinical Pshycologist	Professional Services	Gauteng	International	No
63.	Roland Meissner	Dep. Chief Executive	SA German Chamber	Gauteng	International	Yes
64.	James Lennox	SACOB: CEO	Business Chamber	Gauteng	International	No
65.	Alfred Rosen	SACOB: Intl. Trade	Business Chamber	Gauteng	International	No
66.	Jan-Willem van Rijen	Chairman	Netherlands Chamber	Gauteng	International	No
67.	Matthias Boddenberg	Chairman	SA German Chamber	Gauteng	International	No
68.	Christelle Terra	Image Manager	French SA Chamber	Gauteng	International	No
69.	Nathalie van Lang	Public Relations Manager	French SA Chamber	Gauteng	International	No
70.	Helene Bezuidenhoudt	General Manager	French SA Chamber	Gauteng	International	No
71.	Nicole Blasyk	Project Coordinator	French SA Chamber	Gauteng	International	No
72.	Karl Kebert	Chairman	Austrian Bus. Circle	Gauteng	International	No
73.	Dr BBR Nyathi	Regional Chairman	Black Mngmnt. Forum	Limpopo	National	No
74.	Joe Mwase	Regional Chairman	Black Mngmnt. Forum	Western Cape	National	No
75.	John Nkadimeng	Regional Chairman	Black Mngmnt. Forum	Mpumalanga	National	No
76.	Mashilo Mokotong	Regional Chairman	Black Mngmnt. Forum	Mpumalanga	National	No
77.	Jerry Brander	Regional Chairman	Black Mngmnt. Forum	North West	National	No
78.	Obakeng Khutsoane	Regional Chairman	Black Mngmnt. Forum	North West	National	No
79.	Dr Bandile Mkhize	Regional Chairman	Black Mngmnt. Forum	Kwa-Zulu Natal	National	No
80.	Dan Gabashane	Regional Chairman	Black Mngmnt. Forum	Gauteng	National	No
81.	Alan Baloyi	National Director	Banking	Gauteng	National	Yes
82.	Mncane Mthunzi	Regional Chairman	Black Mngmnt. Forum	Gauteng	National	No
83.	Nceba Moss	Regional Chairman	Black Mngmnt. Forum	Eastern Cape	National	No
84.	Ken Warren	SACOB: Parlmt. & Legisl.	Business Chamber	Gauteng	International	No
85.	Marieta van Zyl	Coordinator AHI	Business Chamber	Gauteng	National	No
86.	Heleen Snyman	BRAIN	Bus. Inform. Services	Gauteng	National	No
87.	Grant Gardener	Management Consultant	Consulting	Gauteng	International	Yes
88.	Kevin Garrow	International Banker	Banking	Gauteng	International	Yes
89.	Andy van Heerden	Support Centre Manager	Banking	Gauteng	National	Yes
90.	Hennie Claassens	Operations Director	Financial Services	Gauteng	National	No
91.	Bastill Levendal	General Manager: Credit	Banking	Eastern Cape	National	Yes
92.	Lizelle Greyling	IT Specialist	Information Technology	Gauteng	National	No
93.	Brian Lackey	MD & Entrepreneur	Information Technology	Free State	National	No
94.	Hoffie Dippenaar	Director	Information Technology	Gauteng	International	No

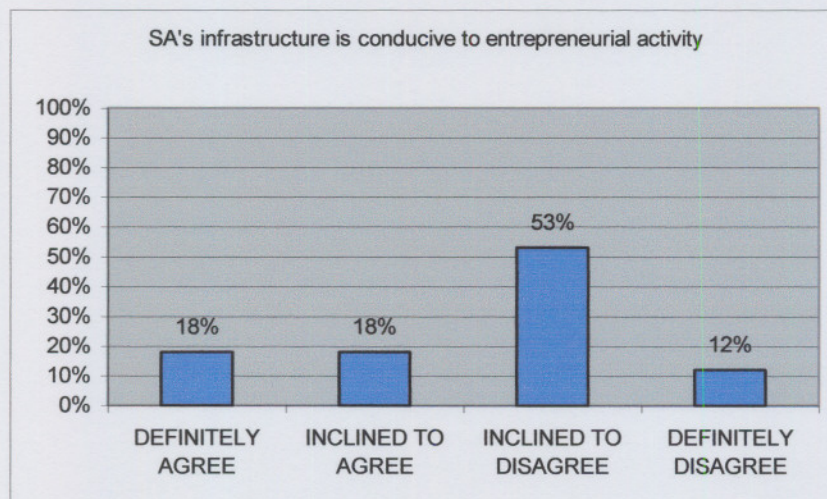
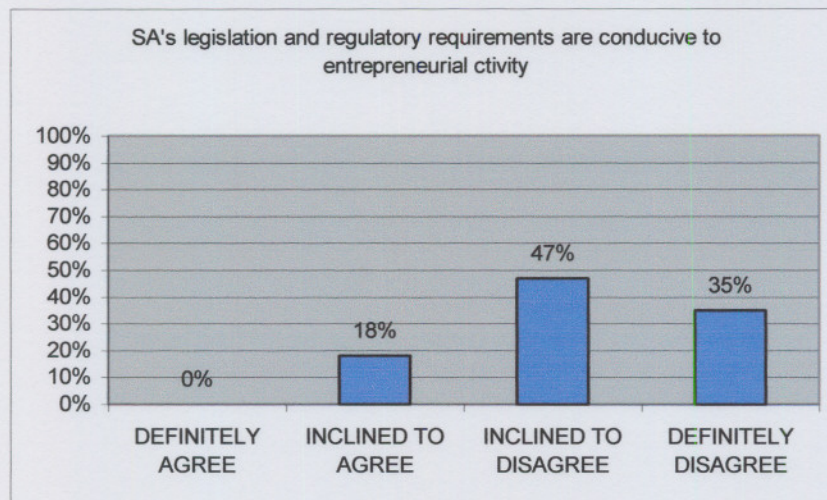
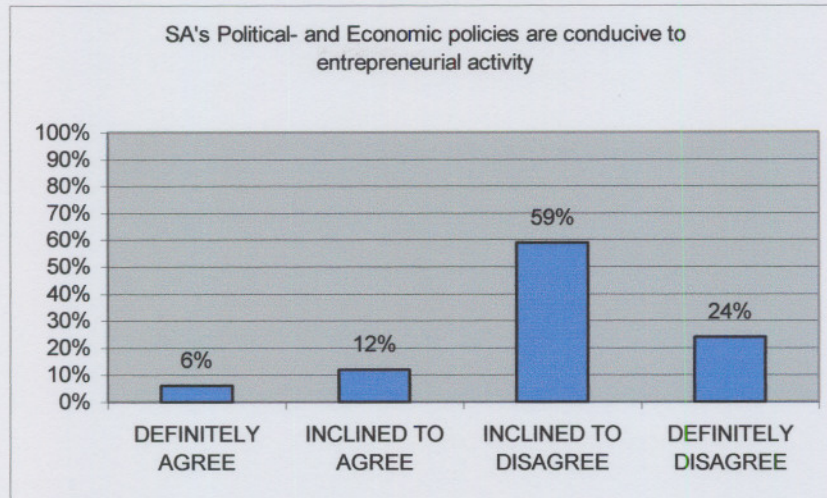
ANNEXURE C

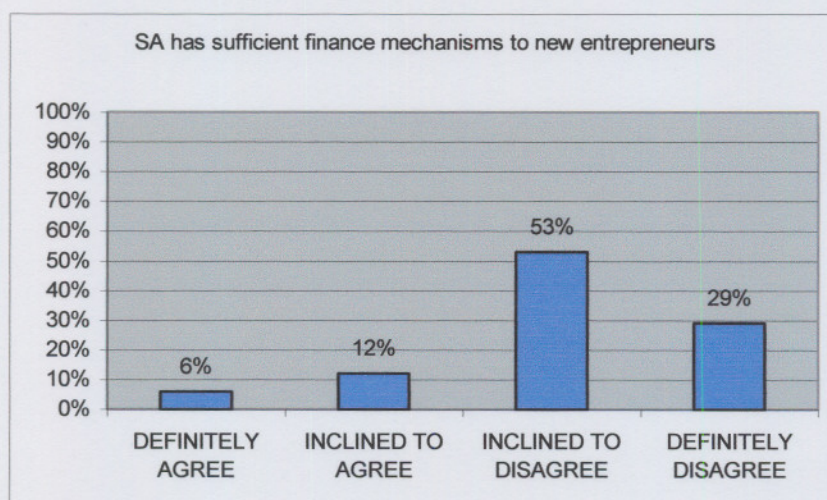
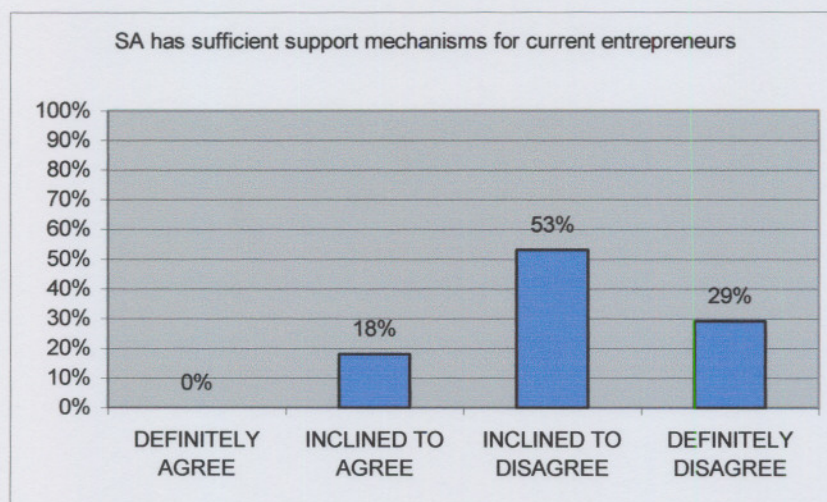
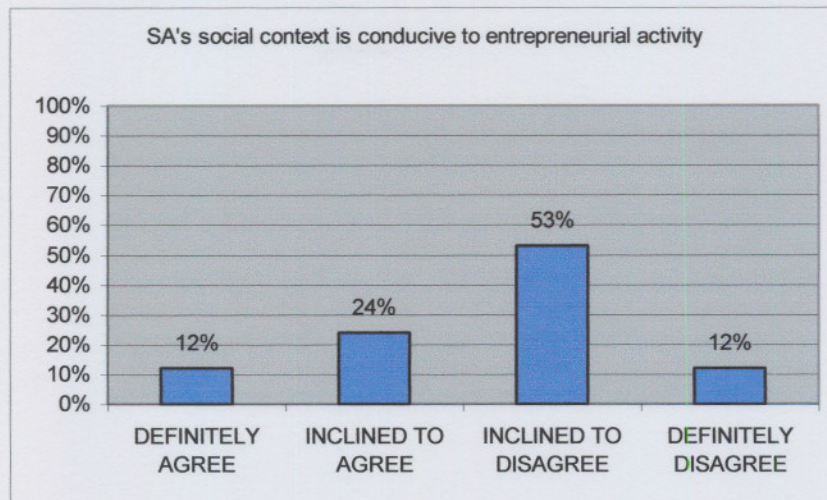
SURVEY RESULTS

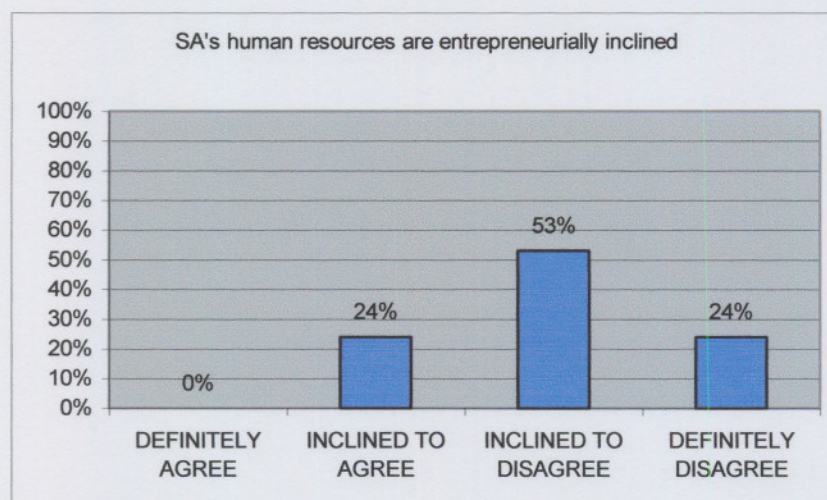
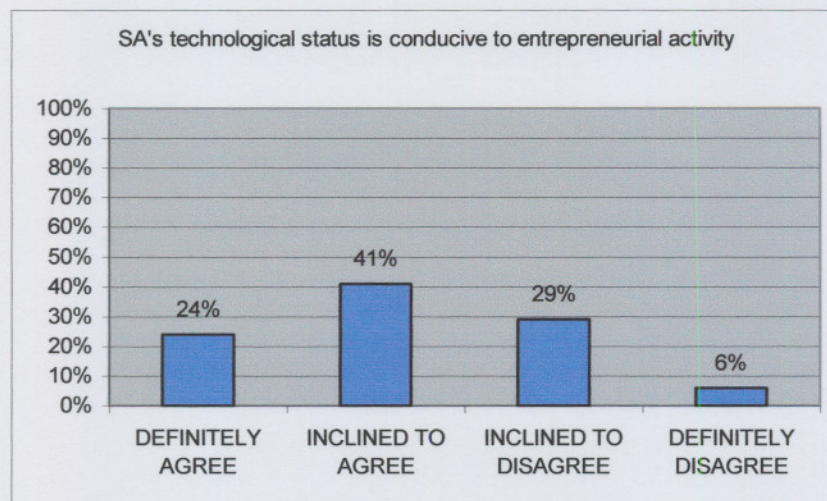
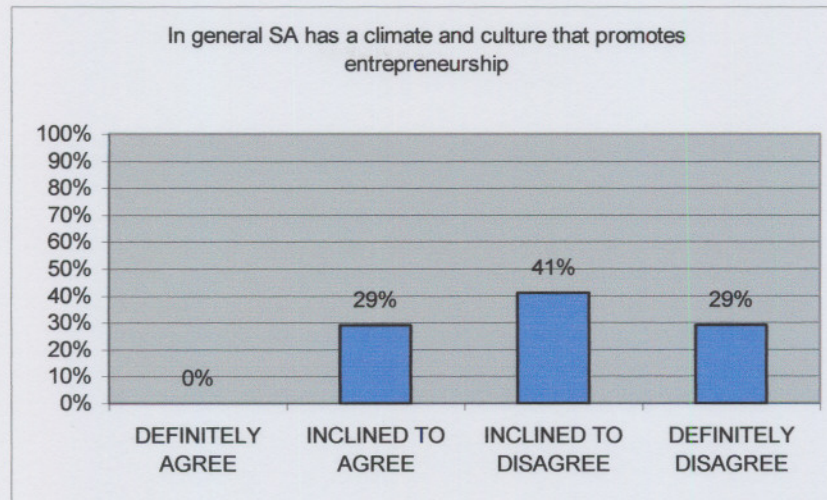
SOUTH AFRICAN ENTREPRENEURIAL OPINION SURVEY

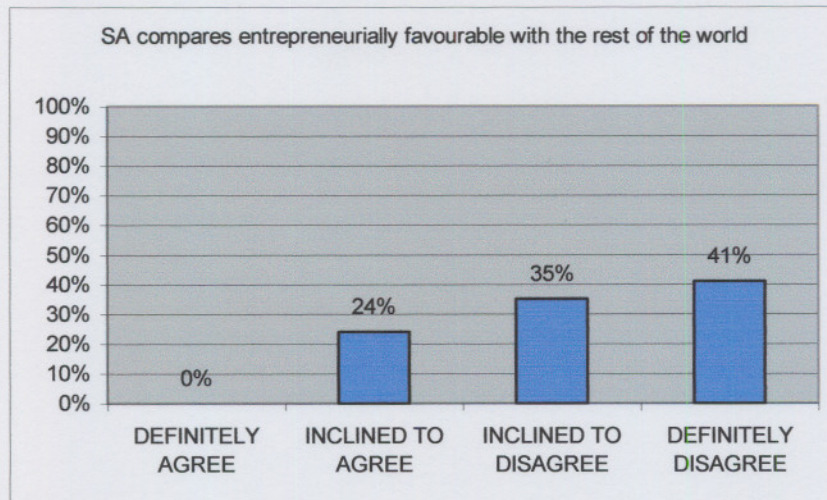










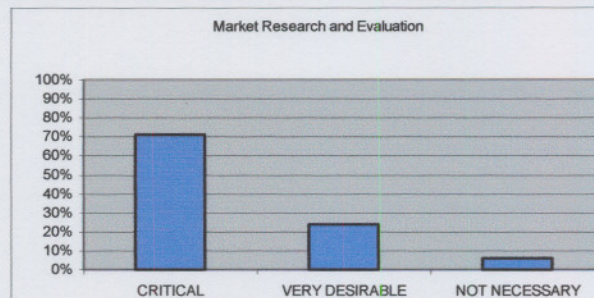


ENTREPRENEURIAL MANAGEMENT COMPETENCIES SURVEY

MARKETING

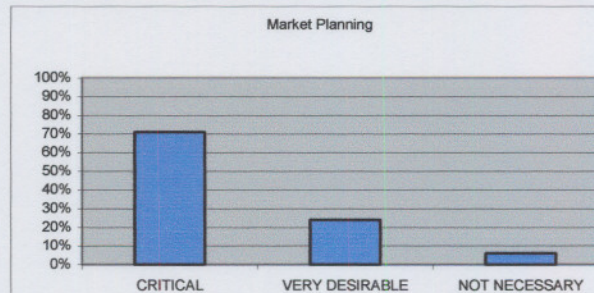
Market Research and Evaluation:

- Finding and interpreting industry and competitor information.
- Designing and conducting market research studies.
- Analysing and interpreting market data.



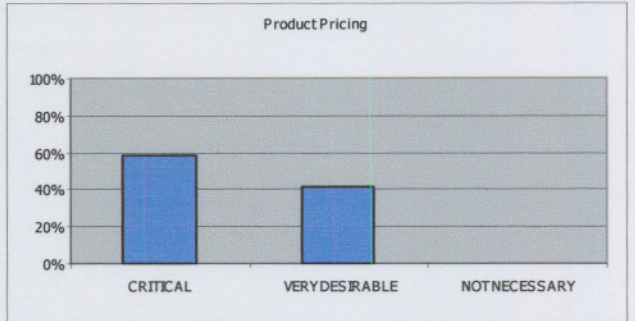
Market Planning:

- Planning overall sales, advertising, and promotion programs.
- Planning and setting up effective distributor or sales representative systems.

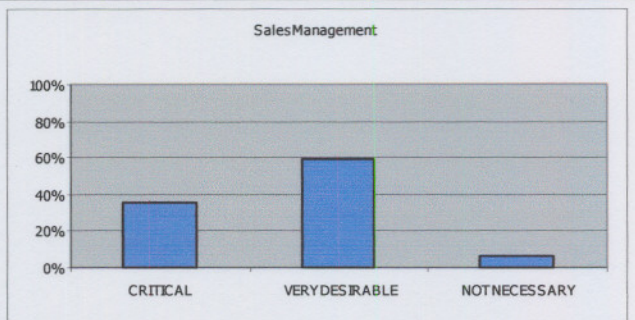


Product Pricing:

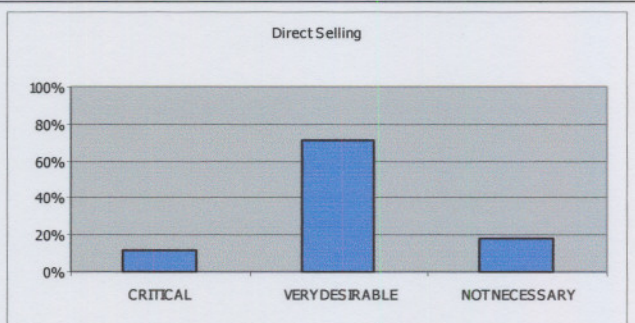
- Determining competitive pricing and margin structures and breakeven analysis.
- Positioning products in terms of price.

**Sales Management:**

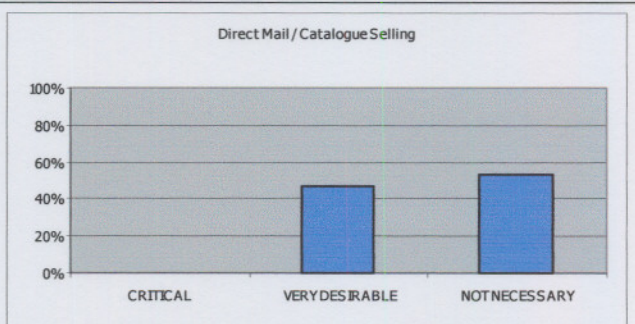
- Organising, supervising, and motivating a direct sales force.
- Analysing territory and account sales potential.
- Managing sales.

**Direct Selling:**

- Identifying, meeting, and developing new customers.
- Closing sales

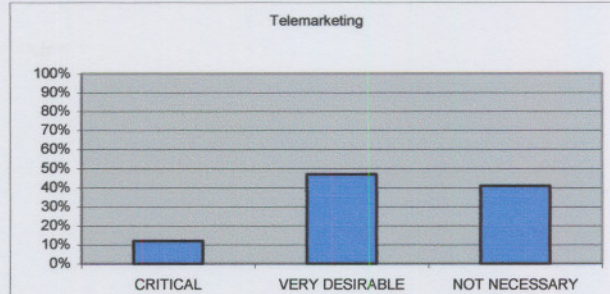
**Direct Mail / Catalogue Selling:**

- Identifying and developing appropriate direct mail and catalogue sales and related distribution.



Telemarketing:

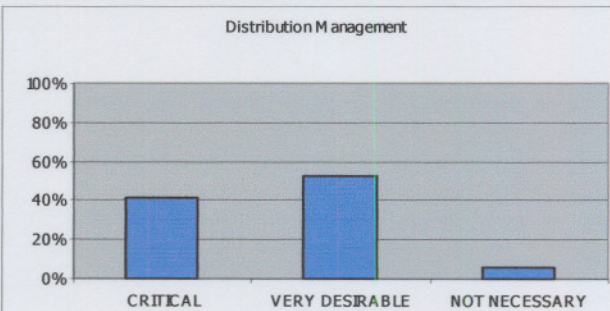
- Identifying, planning, implementing appropriate telemarketing programmes.

**Customer Service:**

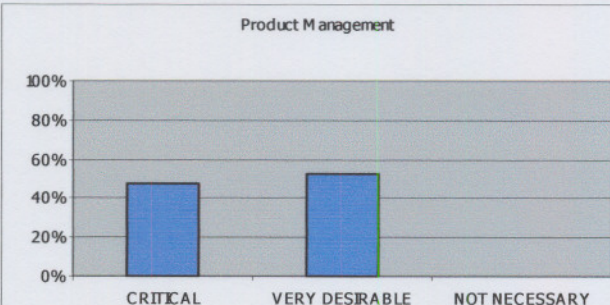
- Determining customer service needs and spare-part requirements.
- Managing a service organisation and warranties.
- Training.
- Technical backup.

**Distribution Management:**

- Organising and managing the flow of product from manufacturing through distribution channels to customers.

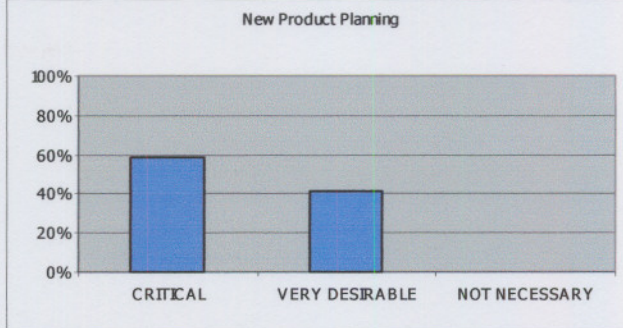
**Product Management:**

- Integrate market information, perceived needs, research and development, and advertising into a rational product plan.

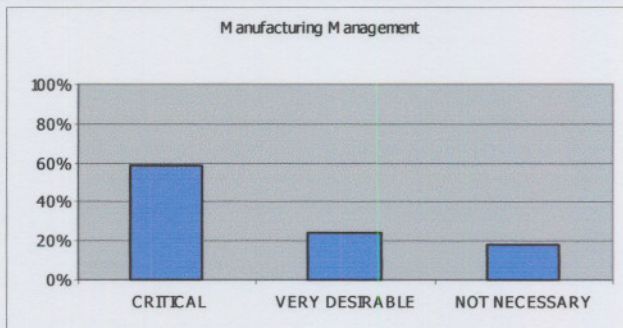


New Product Planning:

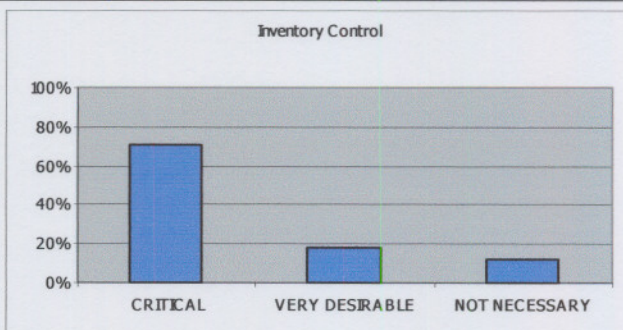
- Planning the introduction of new products, including marketing testing, prototype testing, and development of price, sales, merchandising, and distribution plans

**OPERATIONS & PRODUCTION****Manufacturing Management:**

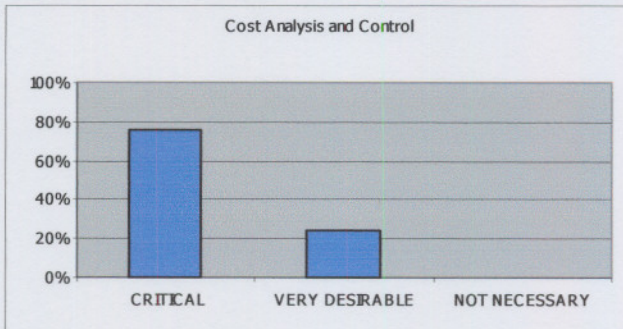
- Managing production to produce products within time, cost, and quality constraints.
- Knowledge of Manufacturing Resource Planning.

**Inventory Control:**

- Using techniques of controlling in process and finished goods inventories.

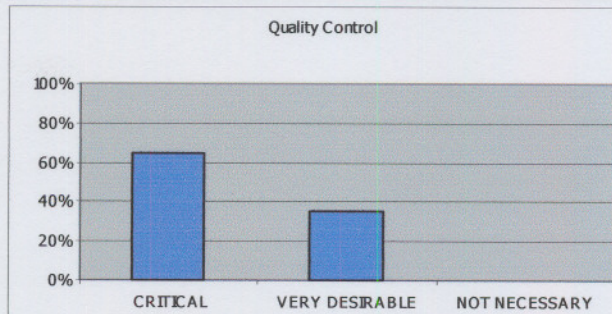
**Cost Analysis and Control:**

- Calculating labour and materials costs.
- Developing standard cost systems.
- Conducting variance analyses.
- Calculating overtime labour needs.
- Managing and controlling costs.



Quality Control:

- Setting up inspection systems and standards for effective quality in incoming and finished goods.



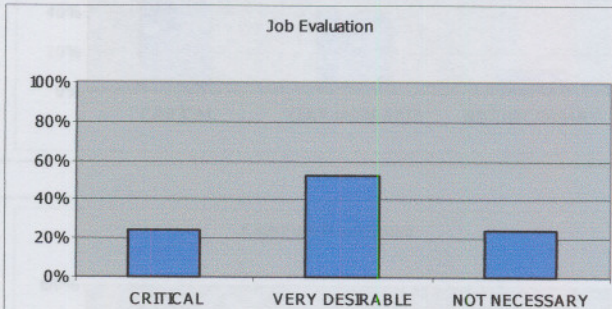
Purchasing:

- Identifying appropriate sources of supply.
- Negotiating supplier contracts.
- Managing the incoming flow of material into inventory.



Job Evaluation:

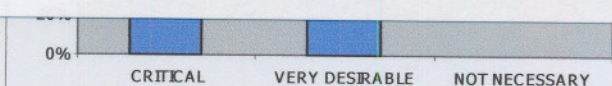
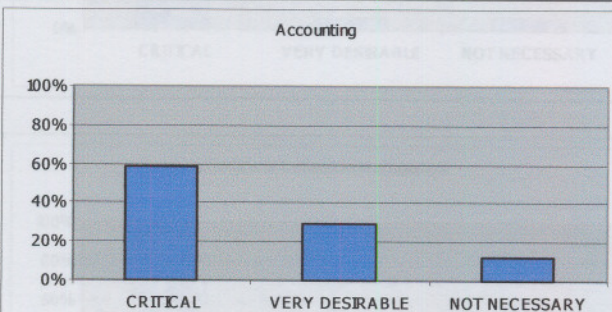
- Analysing worker productivity and needs for additional help.
- Calculating cost-saving aspects of temporary versus permanent help.



FINANCE

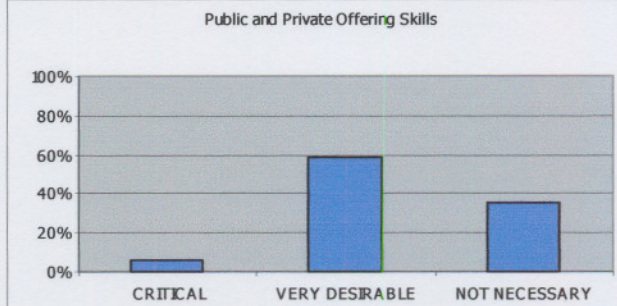
Accounting:

- Determining appropriate bookkeeping and accounting systems.
- Preparing and using income statements and balance sheets.
- Analysing cash flow, breakeven, and profit and loss.

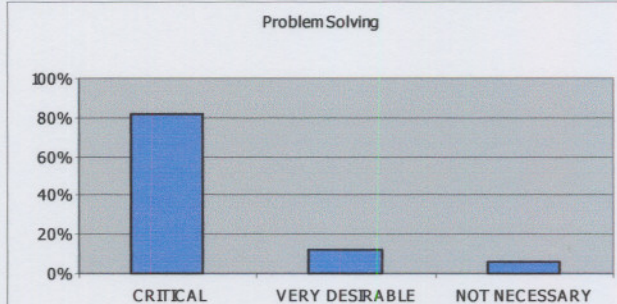


Public and Private Offering Skills:

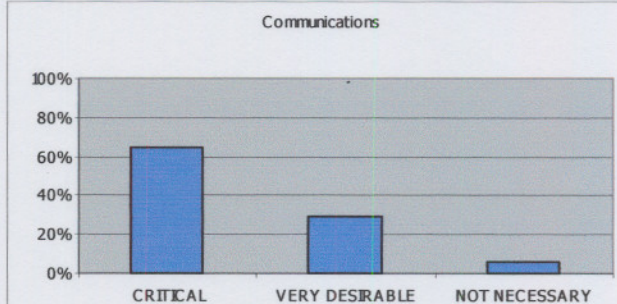
- Developing a business plan and offering memo.
- Managing shareholder relations.
- Negotiating with financial sources.

**ADMINISTRATION****Problem Solving:**

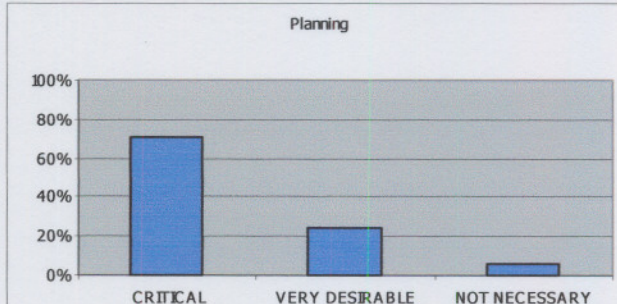
- Anticipating problems and planning to avoid them.
- Analysing and solving problems.

**Communications:**

- Communicating effectively and clearly, both orally and in writing, to customers, peers, subordinates and outsiders.

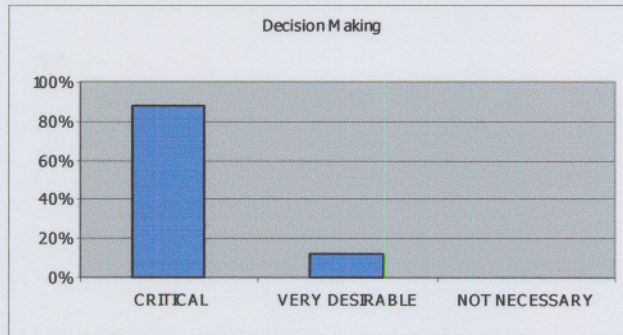
**Planning:**

- Ability to set realistic and attainable goals.
- Identify obstacles to achieving the goals.
- Develop detailed action plans to achieve those goals.

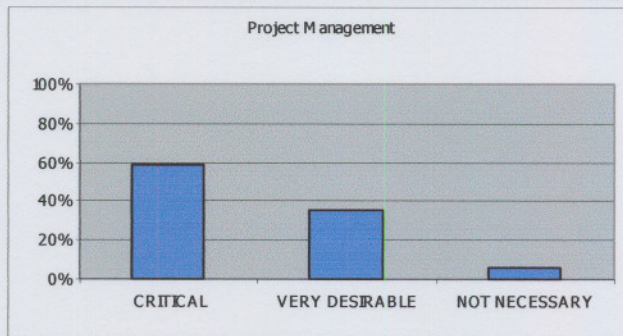


Decision Making:

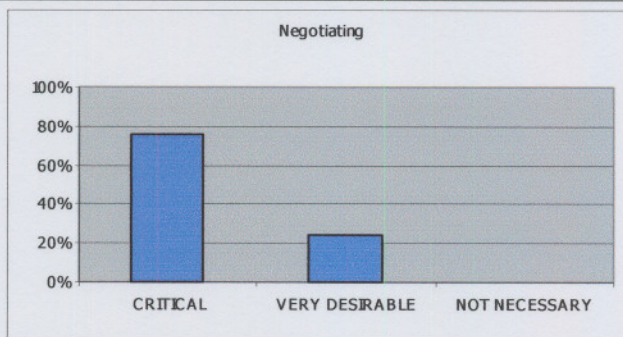
- Making decisions based on the analysis of incomplete data.

**Project Management:**

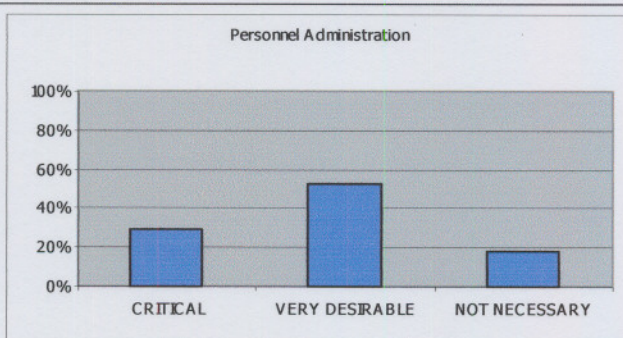
- Organising project teams.
- Setting project goals.
- Defining project tasks.
- Monitoring task completion in the face of problems and cost / quality constraints

**Negotiating:**

- Working effectively in negotiations.

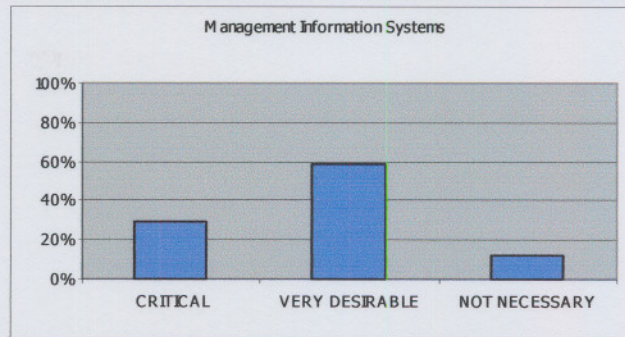
**Personnel Administration:**

- Setting up payroll, hiring, compensation, and training functions.
- Identifying, managing, and guiding appropriate outside advisors.

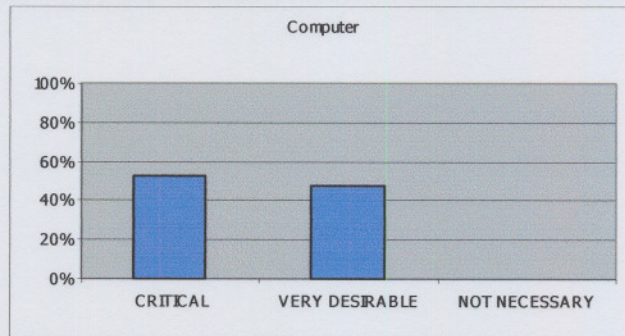


Management Information Systems:

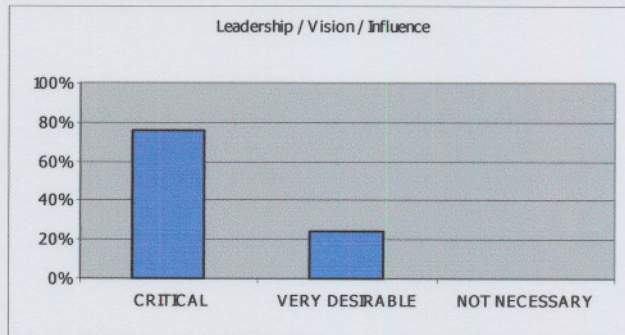
- Knowledge of relevant management information systems available and appropriate for growth plans.

**Computer:**

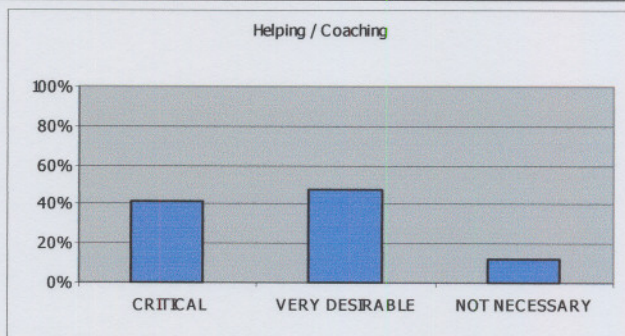
- Using spreadsheet, word processing, and relevant software.
- Using electronic mail.

**INTERPERSONAL & TEAM****Leadership / Vision / Influence:**

- Actively leading, instilling vision and passion in others, and managing activities of others.
- Creating a climate and spirit conducive to high performance.

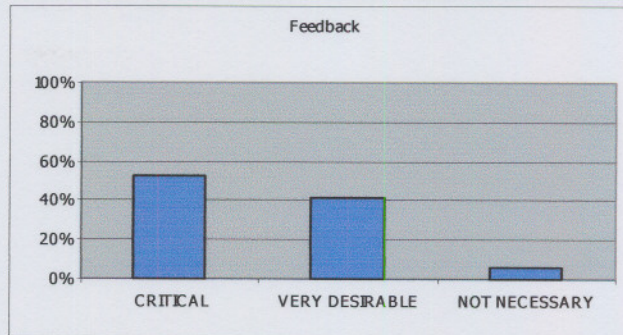
**Helping/Coaching:**

- Determining when assistance is warranted and asking for or providing such assistance.

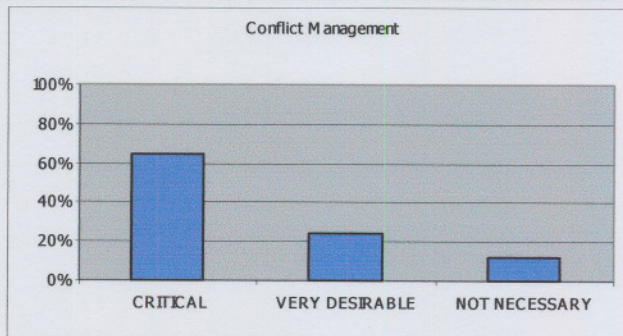


Feedback:

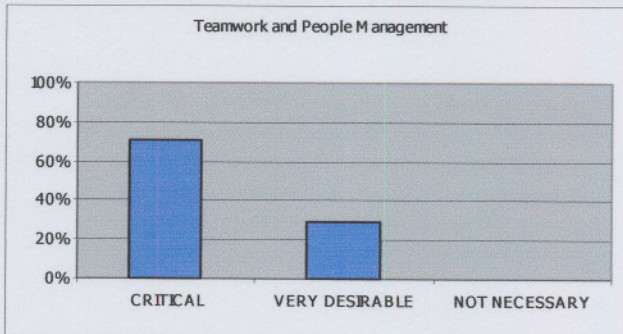
- Providing effective feedback or receiving it.

**Conflict Management:**

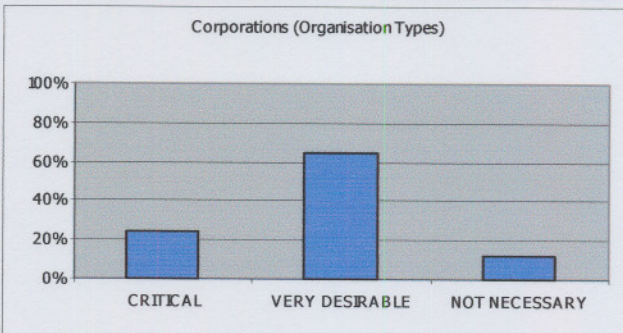
- Confronting differences openly and obtaining resolution.
- Using evidence and logic.

**Teamwork and People Management:**

- Working with others to achieve common goals.
- Delegating responsibility and coaching subordinates.

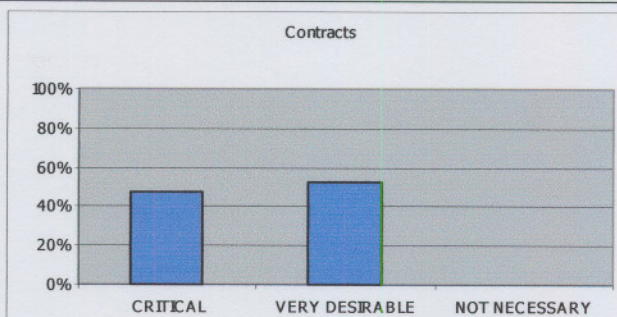
**LEGISLATION & REGULATION****Corporations (Organisation Types):**

- Understanding the uniform commercial code, including that regarding forms of organisation and the rights and obligations of officers, shareholders, and directors.

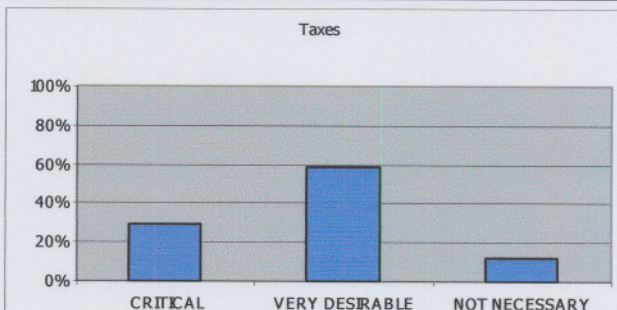


Contracts:

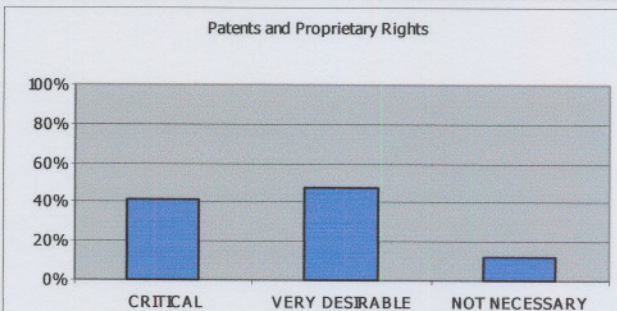
- Understanding the requirements of government and commercial contracts, licenses, leases and other agreements.

**Taxes:**

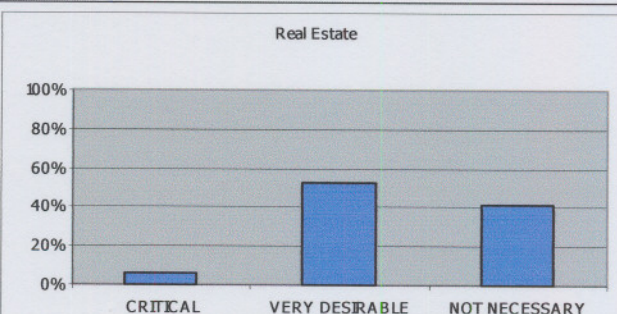
- Understanding reporting requirements.
- Understanding tax shelters, estate planning, fringe benefits, and so forth.

**Patents and Proprietary Rights:**

- Understanding the preparation and revision of patent applications.
- Recognising strong patent, trademark, copyright, and privileged information claims.

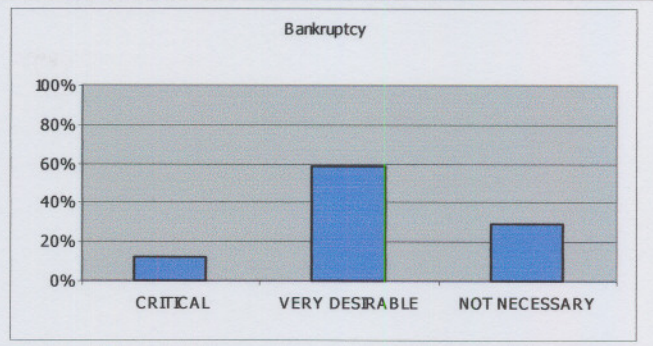
**Real Estate:**

- Understanding agreements necessary for the rental or purchase and sale of property.

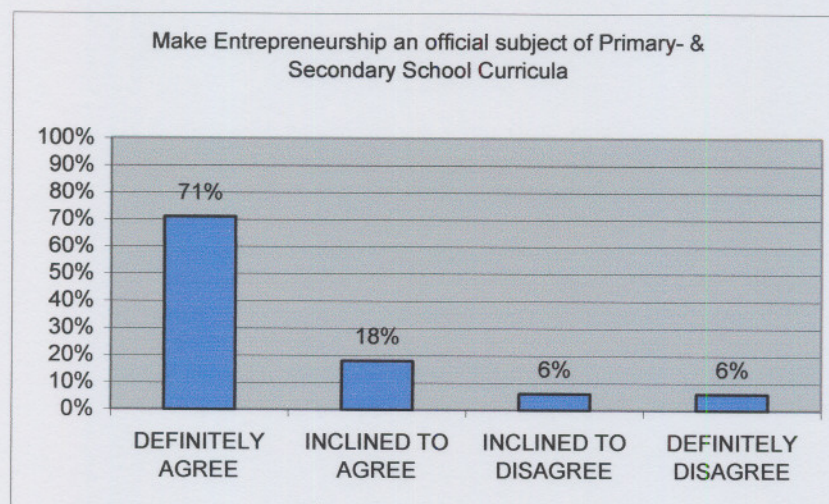
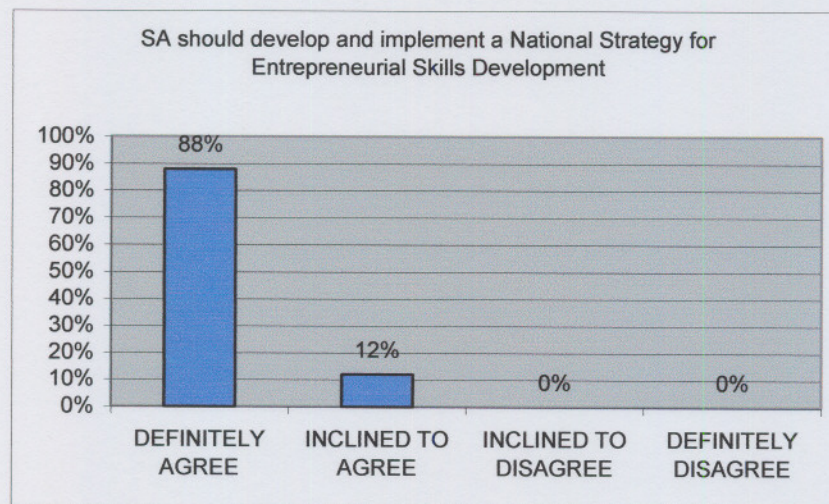


Bankruptcy:

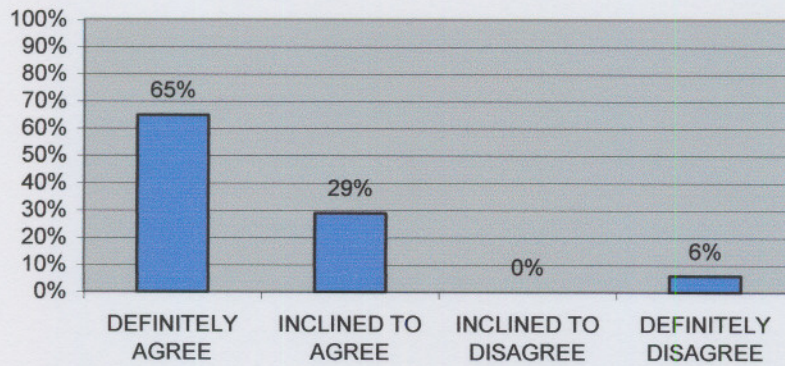
- Understanding options and the forgivable and non-forgivable liabilities of founders, officers, directors and so forth.



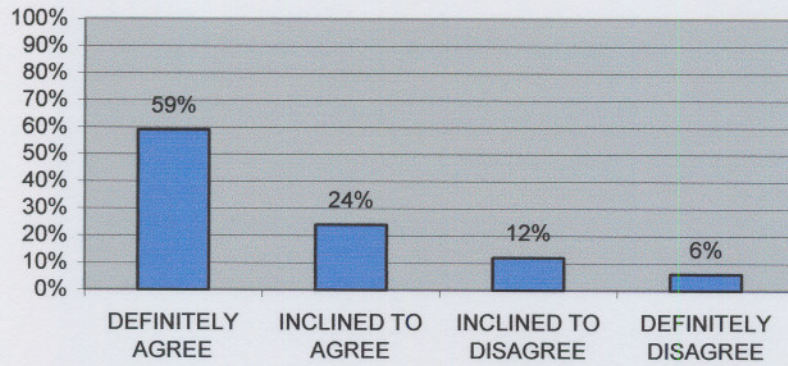
IMPROVING SOUTH AFRICAN ENTREPRENEURIAL ACTIVITY OPINION SURVEY



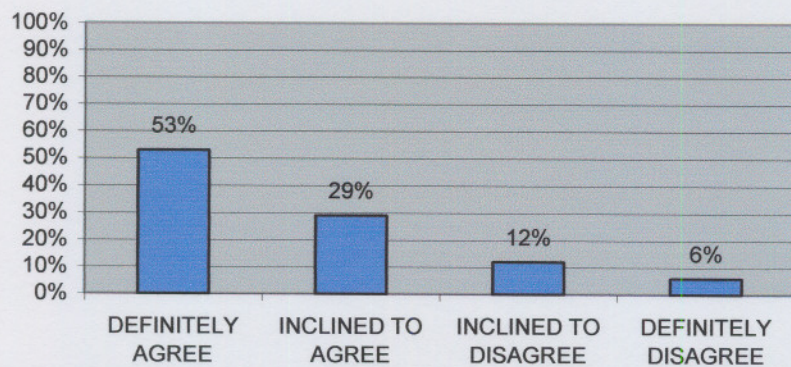
Set up a Centre for Entrepreneurship for coordination of skills development on a national level across all sectors of society

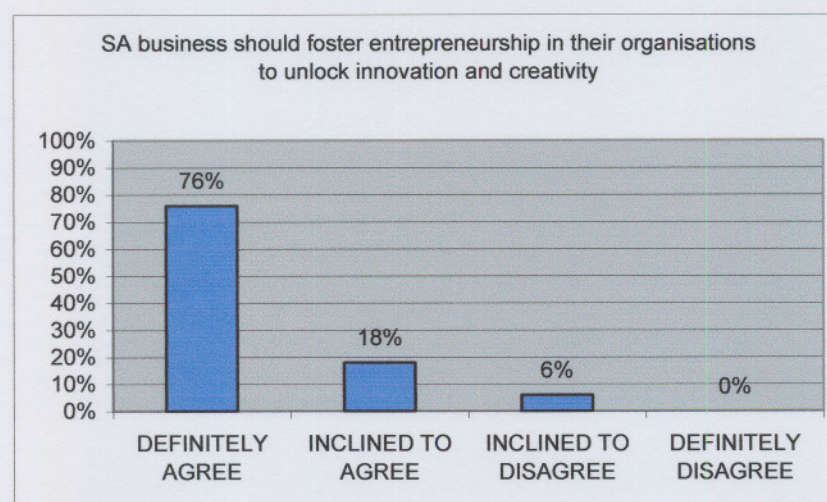
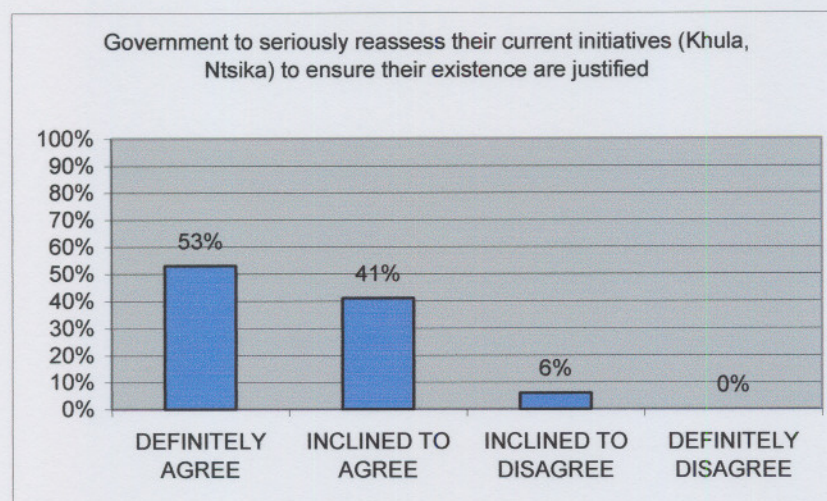
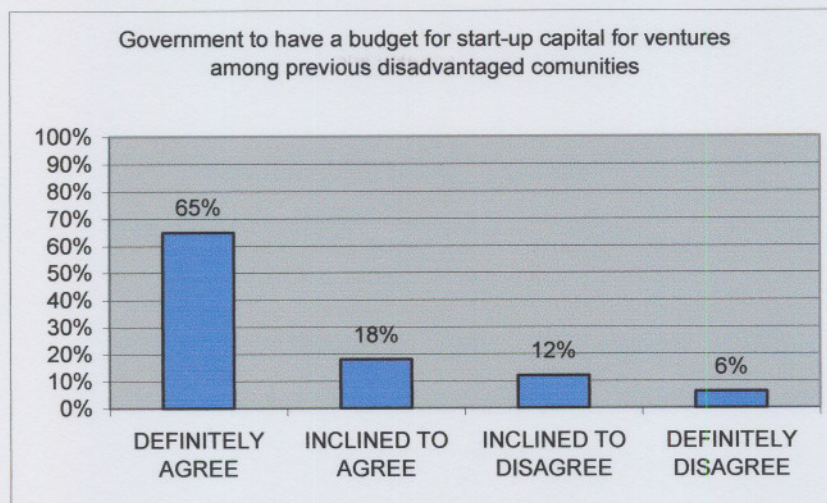


Use the media (TV & Newspapers) to condition SA society to promote an entrepreneurial culture and climate

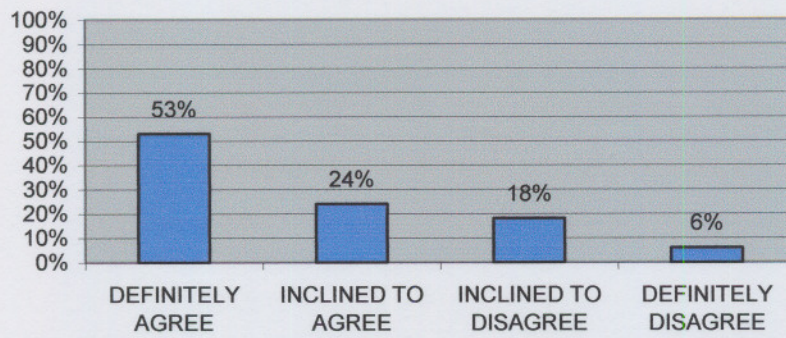


Formal Banking Sector should initiate more venture capital initiatives

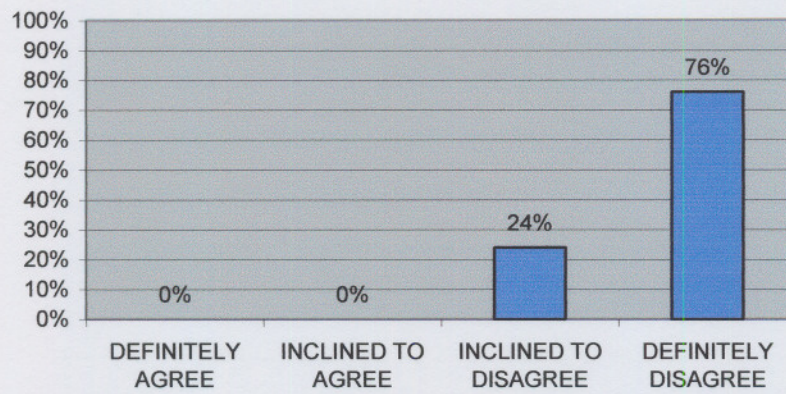




Government should initiate an extensive workshop including delegates from public- and private sector to address entrepreneurial skills development in SA



SA should just keep on doing what its doing and we'll be OK



ANNEXURE D

PHASE 3: RISK ASSESSMENT SCORING MODEL

The scoring model is a tool to assist in the decision-making process and is based on the Consultants own interpretation, evaluation and assessment of the proposed business venture. It is not a scientifically proven model, but rather an instrument and checklist in the risk assessment process. It is based on the Consultants assessment of a specific issue pertaining to the proposed venture on a scale of 1 to 5. The scale refers to the following:

- 5 = Excellent
- 4 = Good
- 3 = Average
- 2 = Below average
- 1 = Poor

1 Introduction

- 1.1 How do you rate the applicant's brief overview of the proposed business venture? ☐
- 1.2 How do you rate the applicants business objectives? ☐
- 1.3 How do you rate the market will it serve? ☐
- 1.4 How do you rate the industry within which it will operate? ☐
- 1.5 How do you rate the form the business will take? ☐
- 1.6 How do you rate the type of business chosen? ☐
- 1.7 How do you rate the decision between a new business, a take-over, or an expansion of an existing business? ☐
- 1.8 If the business has already been started, how do you rate its history since inception as well as its present status? ☐
- 1.9 How do you rate the short-, medium-, and long-term objectives? ☐

Section Total (Σ 1.1:1.9) ☐

Section Average (Section Total $\div$ 9) ☐

Comments: _____

A comprehensive description of the proposed business venture

This section describes the important features of the business. It indicates the type of business ownership selected, legal requirements, a comprehensive outline of the product or service provided by the business, a technical outline of the processes involved if this is relevant, and the owner's educational qualifications and work experience.

2 Marketing plan

This explains who needs the applicant's product or service and why. What will the applicant sell, to whom will he/she sell it, at what price and why?

2.1 The market

2.1.1 How do you rate the market definition? ☐

2.1.2 How do you rate the estimated size? ☐

2.1.3 How do you rate the market segmentation criteria? ☐

2.1.4 How do you rate the estimated potential market growth rate? ☐

2.1.5 How do you rate the market share objectives for the next five years? ☐

2.1.6 How do you rate the attraction, retaining and satisfying of customers? ☐

2.1.7 How do you rate the method of expansion? ☐

2.1.8 How do you rate the basis for competing with similar products? ☐

Sub-section Total (Σ 2.1.1 to 2.1.8) ☐

Sub-section Average (Sub-section Total $\div$ 8) ☐

Comments: _____

The next section explain how the applicant intends implementing each element of the four P's of the marketing mix, namely, Product, Price, Promotion and Place (distribution).

2.2 Product

2.2.1 How do you rate the product or service and product range? ☐

2.2.2 How do you rate the features? ☐

2.2.3 How do you rate quality and warranty? ☐

2.2.4 How do you rate brand name and packaging? ☐

Sub-section Total (Σ 2.2.1 to 2.2.4) ☐

Sub-section Average (Sub-section Total $\div$ 4) ☐

Comments: _____

2.3 Price

2.3.1 How do you rate the price of the product or service? ☐

2.3.2 How do you rate discounts and credit terms? ☐

2.3.3 How do you rate payment period? ☐

2.3.4 How do you rate the pricing policy in terms of competitiveness, profitability, willingness to pay the price, and how applicant arrived at the price? ☐

Sub-section Total (Σ 2.3.1 to 2.3.4) ☐

Sub-section Average (Sub-section Total $\div$ 4) ☐

Comments: _____

2.4 Promotion

2.4.1 How do you rate the advertising? ☐

2.4.2 How do you rate the personal selling? ☐

2.4.3 How do you rate the seminars, sales promotion and publicity? ☐

2.4.4 How do you rate the direct mail? ☐

Sub-section Total (Σ 2.4.1 to 2.4.4) ☐

Sub-section Average (Sub-section Total $\div$ 4) ☐

Comments: _____

2.5 Place

2.5.1 How do you rate the distribution channels? ☐

2.5.2 How do you rate the store location and transport? ☐

2.5.3 How do you rate delivery times? ☐

2.5.4 How do you rate inventory levels? ☐

Sub-section Total (Σ 2.5.1 to 2.5.4) ☐

Sub-section Average (Sub-section Total $\div$ 4) ☐

Comments: _____

2.6 People

2.6.1 How do you rate the potential sales force and other personnel? ☐

2.6.2 How do you rate their experience and training? ☐

Sub-section Total (Σ 2.6.1 to 2.6.2) ☐

Sub-section Average (Sub-section Total $\div$ 2) ☐

Comments: _____

2.7 SWOT Analysis

How do you rate the overall SWOT analysis of the proposed business in terms of the strengths and weaknesses of the marketing strategy in each of the four P's, and possible opportunities and threats in the market place. ☐

Section Total (Σ 2.1 to 2.7) ☐

Section Average (Section Total $\div$ 7) ☐

Comments: _____

3 Industry analysis

This section describes the industry in which the applicant will be competing. Evaluate its attractiveness and profitability. Low market growth rates, strong competitors, powerful suppliers and buyers, good substitutes and low barriers to entry all diminish the profitability of an industry. Rate the following aspects:

3.1 Competitors¹

3.1.1 How do you rate the applicant in relation to competitors? ☐

3.1.2 How do you rate the applicant in relation to competitor operations in terms of similarity and difference from the applicant's and also how the applicant will be better than theirs? ☐

3.1.3 How do you rate the applicant in relation to their estimated relative market shares? ☐

3.1.4 How do you rate the applicant in relation to competitor performance? Increasing? Decreasing? Why? ☐

3.1.5 How do you rate the applicant in relation to competitor strategies and profitability? ☐

3.1.6 How do you rate the applicant in relation to the intensity of competition — price wars, takeover bids or heavy promotion and their strengths and/or weaknesses? ☐

3.1.7 How do you rate the applicant's statement on what he/she has learned from watching their operations? ☐

Sub-section Total (Σ 3.1.1 to 3.1.7) ☐

Sub-section Average (Sub-section Total $\div$ 7) ☐

Comments: _____

¹ Special care should be taken in the rating of the section on competitors as misunderstanding could lead to a distorted rating. Take note of the applicant's position vs. that of the competitors. Strong competitors and their strategies do not necessarily imply a weak rating for the applicant. The Consultants rating should be more focussed on the accuracy of competitor information as a critical success factor to the applicant's positioning in the market. The rating should be concerned with the favourable or unfavourable position of the applicant.

3.2 Suppliers

3.2.1 How do you rate the applicant in relation to proposed suppliers? ☐

3.2.2 How do you rate the applicant in relation to their bargaining power? ☐

3.2.3 How do you rate the applicant in relation to the list of alternative suppliers and their prices? ☐

Sub-section Total (Σ 3.2.1 to 3.2.3) ☐

Sub-section Average (Sub-section Total $\div$ 3) ☐

Comments: _____

3.3 Substitutes

3.3.1 How do you rate the applicant in relation to possible substitute products? ☐

3.3.2 How do you rate the applicant in relation to their price and attractiveness? ☐

Sub-section Total (Σ 3.2.1 to 3.2.3) ☐

Sub-section Average (Sub-section Total $\div$ 3) ☐

Comments: _____

3.4 Entry threat

How do you rate the applicant in relation to entry barriers. These are factors that make it difficult for new businesses to enter the industry. Examples include high capital requirements, regulatory barriers and strong brand identification. ☐

Section Total (Σ 3.1 to 3.4) ☐

Section Average (Section Total $\div$ 4) ☐

Comments: _____

4 Location analysis

This section evaluates the location, size and the physical features of the applicant's premises.

4.1 How do you rate the decision to rent, lease or own, as well as terms? ☐

4.2 How do you rate the renovations (if applicable)? ☐

4.3 How do you rate the premises of competitors in the area? ☐

4.4 How do you rate the building and location? ☐

4.5 How do you rate the location in terms of its affect on operating costs? ☐

Section Total (Σ 4.1 to 4.5) ☐

Section Average (Section Total $\div$ 5) ☐

Comments: _____

5 Production plan (manufacturing businesses only)

5.1 How do you rate the location? ☐

5.2 How do you rate the rental cost? ☐

5.3 How do you rate the size and layout of the proposed factory? ☐

5.4 How do you rate the machinery and equipment? ☐

5.5 How do you rate the production process and production capacity? ☐

5.6 How do you rate stock control and quality control procedures, warehousing and distribution methods? ☐

5.7 How do you rate specialized staff required and their availability? ☐

Section Total (Σ 5.1 to 5.7) ☐

Section Average (Section Total $\div$ 7) ☐

Comments: _____

6 Management

6.1 Applicant

6.1.1 How do you rate the applicant's business background? ☐

6.1.2 How do you rate the applicant's education — formal and informal and their bearing on his/her abilities? ☐

6.1.3 How do you rate personal information? ☐

6.1.4 How do you rate the applicant's statement as to why he/she is going to be successful?

Sub-section Total (Σ 6.1.1 to 6.1.4) ☐

Sub-section Average (Sub-section Total $\div$ 4) ☐

Comments: _____

6.2 Others

6.2.1 How do you rate the CV's of everyone involved in the business, and their relevant experience? ☐

6.2.2 How do you rate the position of each manager and employee, and the explanation of their roles and responsibilities within the firm? ☐

6.2.3 How do you rate resources such as lawyers, accountants and consultants? ☐

Sub-section Total (Σ 6.2.1 to 6.2.3) ☐

Sub-section Average (Sub-section Total $\div$ 3) ☐

Comments: _____

6.3 Personnel

6.3.1 How do you rate applicant's personnel needs? ☐

6.3.2 How do you rate proposed training of people? ☐

6.3.3 How do you rate the decision between full-time or part-time employment? ☐

6.3.4 How do you rate the decision you pay monthly salaries or weekly/hourly wages? ☐

Sub-section Total (Σ 6.3.1 to 6.3.4) ☐

Sub-section Average (Sub-section Total $\div$ 4) ☐

Comments: _____

Section Total (Σ 6.1 to 6.3) ☐

Section Average (Section Total $\div$ 3) ☐

7 Resources required

7.1 How do you rate the calculation on how much capital the applicant will need to start the business, including equipment, premises, stock, wages and salaries, vehicles, working capital and advertising expenses? Carefully assess why each resource is required, and cases in which a less expensive substitute may be considered. ☐

7.2 How do you rate funds that applicant and others have already put into the business? ☐

7.3 How do you rate the existing shareholding? ☐

7.4 How do you rate the manner in which the loan is to be spent with specific reference to items? ☐

7.5 How do you rate the items that will be purchased? ☐

7.6 How do you rate the security that can be offered to support the loan? ☐

7.7 How do you rate the explanation on how the loan will make the applicants business more profitable? ☐

Section Total (Σ 7.1 to 7.7) ☐

Section Average (Section Total $\div$ 7) ☐

Comments: _____

8 Financial plan

8.1 How do you rate the *forecasts* for the next three years of the business with a balance sheet, an income statement, cash flow statement and capital expenditure estimates? ☐

8.2 How do you rate the monthly budget for the projections in 8.1 for the first year of operation? Has the break-even point been worked out? Check for supporting figures in terms of industry data or historical data. Take note of any assumptions the applicant has made. ☐

8.3 How do you rate contingency plans the applicant has developed if sales turn out to be lower than forecasts or if costs are higher? Perform a *sensitivity analysis* for each of the projections. ☐

8.4 How do you rate the applicant's 'what if' scenarios? ☐

8.5 How do you rate the applicant's personal financial position? ☐

Section Total (Σ 8.1 to 8.5) ☐

Section Average (Section Total $\div$ 5) ☐

Comments: _____

9 Conclusion

How do you rate the applicant's summary on why he/she believes the business will be a success — in other words, why he/she believes the venture is feasible and viable? ☐

Comments: _____

10 Appendix

How do you rate any relevant additional material, such as financial statements, magazine articles, market figures and reports that have been included to substantiate the application? ☐

Comments: _____

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4.

5.

Declined

Consultant Name

Date

Consultant Signature

CONCLUSION PAGE

OVERALL SCORE	
Section	Average
1	
2	
3	
4	
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7	
8	
9	
10	
TOTAL	
OVERALL AVERAGE	
TOTAL ÷ 10	

CONSULTANT'S FINAL REMARKS

☒	DECISION
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☐	Approved
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☐	Approved subject to: <i>(Enter reasons in column on right)</i>

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☐	On hold <i>(Enter reasons in column on right)</i>

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☐	Declined
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Consultant Name	Date	Consultant Signature
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