

**INVESTIGATING THE EFFECT OF ENTREPRENEURSHIP IN
ECONOMIC DEVELOPMENT IN NGWATHE MUNICIPAL
REGION**

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ABSTRACT

Ngwathe Municipal cluster, is a rural area in the Northern Free State. The region comprises of five towns: Edenville, Heilbron, Koppies, Parys and Vredefort. The region has an unemployment rate of 47% and very low business activity. This paper attempts to investigate the effect of entrepreneurship towards economic development and growth in the Ngwathe region. A number of obstacles towards entrepreneurial development were discovered during the study.

The numbers of businesses that create employment and add value are too little. The rate of start-ups is very low. The low level of business activity is also reflected on the high unemployment rates in the region. The infrastructure is not conducive towards business development. Failure to supply proper infrastructure has a direct influence on business and the rate of start-ups and new companies forming. According to the literature review, poor infrastructure is a serious impediment to a successful local economic development strategy. Smart towns position themselves well by developing their infrastructure.

There is a low level of usage of computers and internet services by entrepreneurs in the region. Technological infrastructure, like internet cafés, computer software and hardware companies and Information Technology (IT) consultants are lacking in the region. The region does not have an entrepreneurial development strategy. Most entrepreneurs in the region operate in isolation, with little if any support from each other. Training initiatives to empower small and medium size business owners are not in place. There are no non-governmental organisations (NGO's) looking at the interests of entrepreneurs.

The culture of entrepreneurship in the region is low. People do not explore opportunities or lack innovation in term of creating opportunities. There is a lack of innovative business ideas that reflect the on the offerings of the region. There is a considerably low level of youth involvement in business in the region. One of the contributing factors to this state of affairs could be due to the fact that the skilled youth of the region end up settling in other parts of the country. Their move is influenced by lack of big businesses that offers employment, especially to professionals in the region.

There isn't enough value adding businesses in the region. The majority of businesses do not employ more than 10 people. The majority of businesses only generate a monthly income of between R20 000 and R50 000. There is a very low level of awareness about government support and cooperative services agents by the Ngwathe entrepreneurs.

From the literature review a lot of evidence suggests that entrepreneurs need support and networking structures. The empirical study results supported the need for a supportive and co-operative environment for entrepreneurs in the region. In line with the both the literature and empirical review findings, an Entrepreneurial Development Strategy for the Ngwathe region was drafted. The main objectives of the strategy are to:

- ◆ provide entrepreneurial skills training;
- ◆ provide support to all businesses;
- ◆ facilitate business networks;
- ◆ build skills capacity;
- ◆ facilitate venture capital;
- ◆ improve infrastructure;
- ◆ form business clusters; and
- ◆ set-up Ngwathe towns as centres of consumption

DEDICATIONS

This piece of work is dedicated to my mother, Nomthandeki Ndlebe, who despite being illiterate, valued and believed in my education so much.

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CHAPTER 1

NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

A lot of developing countries have come to realise the importance of the small, medium and micro enterprises (SMMEs) sector in the process of economic development. The drive of entrepreneurship in developing countries can provide the catalyst to lift an economy onto an upward growth spiral. In many cases, however, the lack of an enabling business framework and a scarcity of support structures for new businesses can undermine and defeat entrepreneurial endeavour. The role of the South African Government and support institutions in the development and growth of small and medium enterprises is very crucial.

In encouraging entrepreneurship, the Government's role is not just limited to providing an economic environment conducive for business and a stable political scene. To stimulate economic growth through entrepreneurship, it must be able to provide the right combination of policies and incentives to attract individuals to become entrepreneurs. Since Government resources are limited, it is then the role of the support institutions to fill the gap between the resources needed by entrepreneurs and what the Government can provide. This can be in the form of financial assistance or non-financial services to both entrepreneurs and would-be entrepreneurs.

The entrepreneurial spirit is something that has long been associated with the driving force behind economic progress and growth. Joseph Schumpeter (1940) stated that the key to economic growth lies in the spirits of entrepreneurs who persist in developing new products and technologies, and succeed at ultimately reducing production costs. Kaiser (1990:12) modelled the entrepreneur based on many historical characterizations, including the Schumpeterian innovator, and concluded that the major characteristics of the entrepreneur—innovator, risk taker, and resource allocator - are complementary and inseparable facets of entrepreneurship.

Supporting Kaiser's findings, Zacharakis, Bygrave and Sheperd (2000) studied sixteen developed economies and found that entrepreneurial activity explains approximately one-half of the differences in the gross domestic product (GDP) growth between countries. More recently, Henderson (2002:55) shows that entrepreneurs significantly impact economic activity at a more local level through fostering localised job creation, increasing wealth and local incomes, and connecting local economies to the larger, global economy.

This study is aimed at investigating the way entrepreneurs in the Ngwathe region are impacting on the economic activities mentioned by Henderson, establishing their level of contribution to job creation and the GDP in the region.

1.2 PROBLEM STATEMENT

The increase in unemployment in South Africa is an indication that this country is not producing enough entrepreneurs who can contribute to job creation. It has been proven that countries with successful economies have a very high rate of entrepreneurship; 3.5 million businesses are created in the United States every year (Timmons & Spinneli, 2003:52).

The challenge is therefore to encourage entrepreneurship. Entrepreneurs are key to a country's economy. Opportunity, raw material, capital and labour cannot mobilise themselves, they need the entrepreneur to get going.

The following factors to the current state of affairs in the Ngwathe region:

- ◆ Low skills levels, due to low levels of education.
- ◆ Lack of access to information.
- ◆ Underdeveloped infrastructure.
- ◆ Lack of entrepreneurial culture.
- ◆ Entrepreneurship in the Ngwathe region is done mainly for survival, as opposed to return on investment, and therefore does not contribute enough to economic development.
- ◆ A lot of businesses operate on the informal sector rather than formal sector. (The informal sector typically includes providers of economic activities not recorded in the national

accounts and not subject to formal rules of contract, licensing, labour inspection, reporting and taxation).

- ◆ Entrepreneurs in the region are disadvantaged through lack of capital, expertise, training, contacts, and experience to grow beyond mere survival income.

1.3 OBJECTIVES OF THE STUDY

1.3.1 Main objective

The main objective of this study is to draft an entrepreneurial development strategy for the Ngwathe region.

1.3.2 Sub-objectives

To achieve the main purpose of the study, the following sub-objectives have to be fulfilled:

- ◆ to do a literature review on entrepreneurship and entrepreneurial characteristics;
- ◆ to establish the relationship between entrepreneurship and economic growth;
- ◆ to do a literature review of the current South African entrepreneurial activity;
- ◆ to explore economic development activities in the region;
- to do an entrepreneurial readiness assessment of the Ngwathe region;
- ◆ to evaluate the quality and characteristics of the entrepreneurs operating in the region; and
- ◆ to obtain comments, recommendations from respondents with regard to barriers towards entrepreneurial development.

1.4 SCOPE OF THE STUDY

1.4.1 Geographical

This study is limited to the practice of entrepreneurship and economic development on a rural area, Ngwathe Local Municipal region, in the Northern Free State. The Free State map, showing the Ngwathe region is presented in figure 1.1.

Figure 1.1 – Free State map



Source: www.routes.co.za

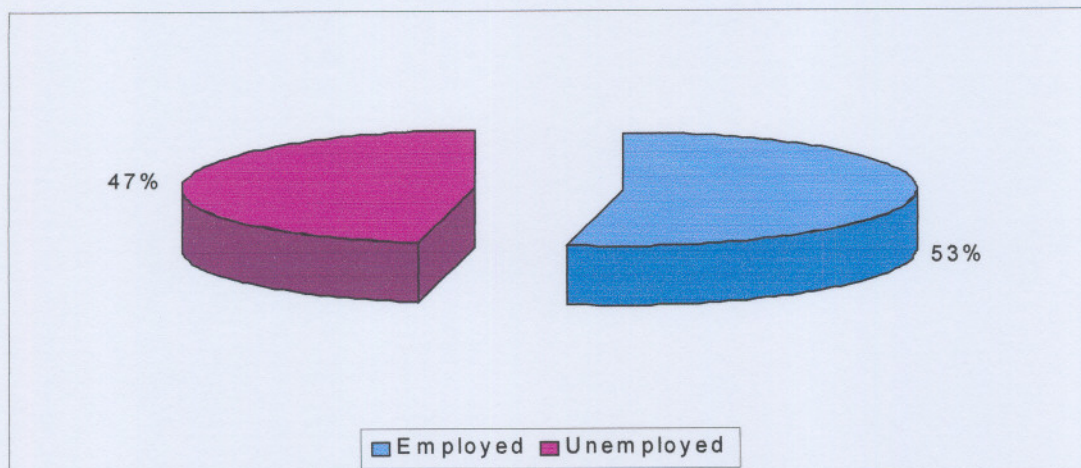
The region consists of five towns: Koppies, Parys, Vredefort, Heilbron and Edenville. The region's head office is situated in Parys. The estimated distances between the towns are as follows: Koppies to Vredefort (35 km); Koppies to Heilbron (30 km); Koppies to Parys (45 km) and Koppies to Edenville (35 km). Koppies is more in the centre, hence it has been made a reference point.

1.4.2 Field of study

The study evolves around entrepreneurship and economic growth. It looks at entrepreneurship and its effect in economic growth in a rural area, Ngwathe. The effects of entrepreneurship on job creation and eradication of poverty are explored. The Ngwathe region has a population of 74 662, of which the majority are Africans, who form 86% of the total population.

Factors that lead to high unemployment rates are studied. The region has a very high rate of unemployment. The employment statistics the Ngwathe region is presented in figure 1.2.

Figure 1.2 – Ngwathe employment status



Source: www.statssa.gov.za (census 2001)

According to Census 2001 results, the unemployment rate is estimated to be 47%. The calculations were done based on the economically active population of the Ngwathe region. The employment rate is therefore 53%, which is very low. The low employment rate indicates a lot of poverty and dependence on government support in the region.

1.5 RESEARCH METHODOLOGY

The research method is divided into two sections: the literature review and the empirical study.

1.5.1 Literature review

Literature on entrepreneurship and entrepreneurial development was reviewed to get a broader meaning and better understanding. The definition of the concept entrepreneurship is explored. The information used on the literature review was obtained from journals, textbooks and news paper articles.

1.5.2 Empirical research

The empirical research was done by the analysis of qualitative and quantitative data. According to Saunders, Lewis and Thornhill (2000:381) quantitative data is based on

meanings derived from numbers, whereas qualitative data is based on meanings expressed through words.

The data was collected using both secondary and primary data collection methods. Secondary data include both raw and published summaries. Primary data can be collected by questionnaires, a summary from interviews, the author's observations, and documents (Saunders *et al.*, 2000:188).

The questionnaires were drafted by the author and are in line with the research objectives. The questions in the questionnaires were carefully selected and drafted. The contents of the questionnaires were specifically evaluated in terms of the non-ambiguity, relevance, general validity and interpretation. Every precaution was taken to ensure that these questions were understood and that good quality answers were obtained.

1.5.2.1 Qualitative research method:

During the qualitative research, both the primary and secondary data collection methods were used. The primary data collection method was used in the form of a questionnaire, a summary from interviews and the author's observations. The secondary data collection method was used for compiling a database of businesses in the region.

1.5.2.2 Quantitative research method:

During the quantitative research, both primary and secondary data collection methods were used. The primary data collection method was used in the form of a questionnaire. An explanatory research questionnaire with closed question design was used.

1.6 LIMITATIONS TO THE STUDY

1.6.1 Limited geographical scope

The study is only focused on a specific geographic area, Ngwathe, in the Northern Free State. This is a limitation in a sense that the findings of the study cannot be taken as a general representation of the effect of entrepreneurship in any rural area within South Africa.

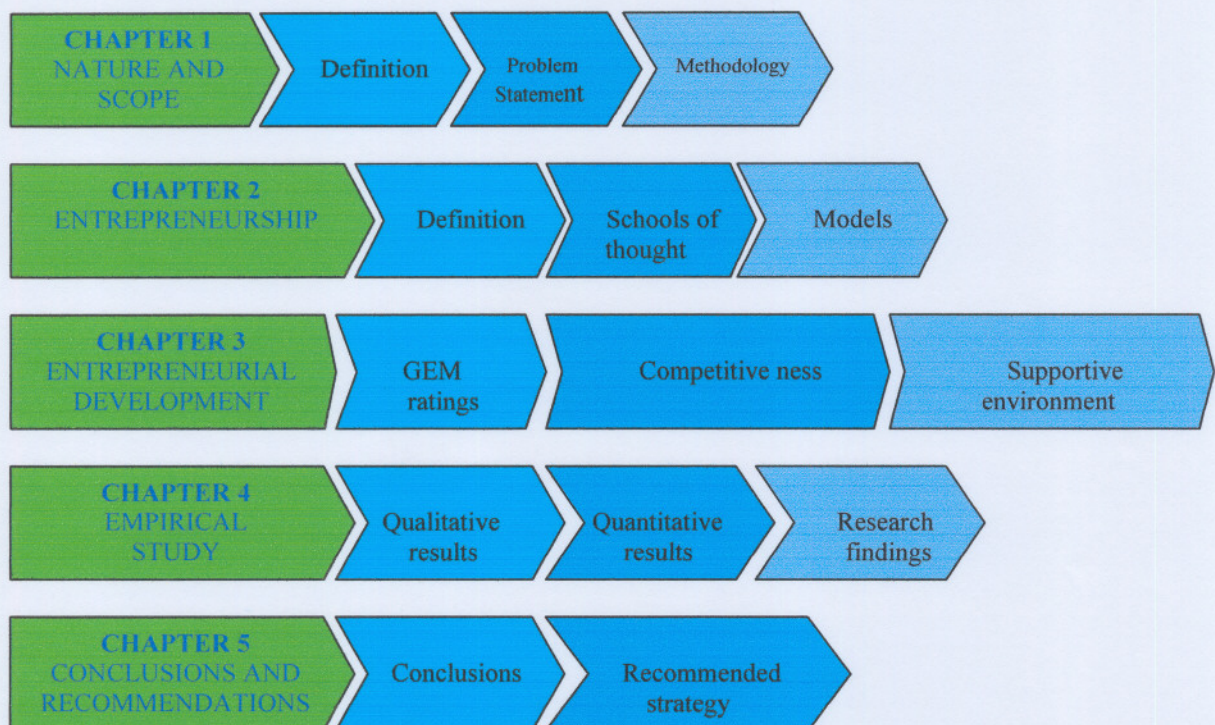
1.6.2 Limited sample size

The study focused on the views of only 40 entrepreneurs in the area, due to time constraints. Getting a bigger sample could have given a better insight.

1.7 STUDY LAYOUT

The study is divided into 5 chapters. The chapter layout is presented in figure 1.3.

Figure 1.3 – Study layout



A brief overview of the contents of the chapters is given below.

Chapter 1: This chapter gives the nature and extent of study. It covers the introduction, the problem statement, the objectives of the study and the research methodology.

Chapter 2: In chapter 2, the definition of entrepreneurship by different authors is given. The chapter further explores the psychological and sociological characteristics of entrepreneurs. An analysis of the different schools of thought on entrepreneurship is done. Finally, the chapter explores the different entrepreneurial models.

Chapter 3: Chapter 3 is about entrepreneurial development in South Africa. The Global Entrepreneurial Monitor ratings for 2004 are analysed. South Africa's competitiveness in the world is explored. Local economic development initiatives are investigated. The supportive and cooperative environments for entrepreneurial development are studied.

Chapter 4: Chapter 4 comprises of the empirical study. A database of businesses operating in the area was collected by means of secondary data. The current status of entrepreneurship and economic development is studied through primary data. Two questionnaires were drafted: the first one is about the community entrepreneurial readiness assessment and the second one looks at the entrepreneurial characteristics and conditions. The data is analyzed and the research findings are discussed.

Chapter 5: This chapter presents conclusions on the research findings and the author outlines a detailed recommended entrepreneurship development strategy for the Ngwathe region.

CHAPTER 2

DEFINING ENTREPRENEURSHIP

2.1 INTRODUCTION

The process of entrepreneurship is not well understood especially by the man on the street, who normally associates entrepreneurship with anyone who is in business and has money. This chapter, which is part of the literature review, will give a broader definition of entrepreneurship as defined and interpreted by different authors.

There is more to an entrepreneur than meets the eye. For people to be called entrepreneurs they have to possess certain sociological and psychological personal characteristics. They behave and think differently. They have to meet certain standards and they have to fulfil certain roles in the community. They possess certain attributes and attitudes. The aim of the chapter is to explore these characteristics that shape entrepreneurs.

At the forefront of economic and entrepreneurial development is a supportive environment. For entrepreneurs to function effectively they need financial and non-financial support. Entrepreneurs are also affected by a variety of external environment factors. The chapter explores different entrepreneurial models and schools of thought.

2.2 DEFINING ENTREPRENEURSHIP

Burch (1986:4) defines entrepreneurship as a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced. The author further states that the act of being an entrepreneur is a derivative of the French term *antreprendre*, which means to undertake; to pursue opportunities; to fulfil needs and wants through innovation and starting of business.

Ronsadt (1984:28) believes that entrepreneurship is a dynamic process of creating wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and career commitments of providing value for some product or service. The product or service may or may not be new or unique, but must somehow be infused by the entrepreneur by

securing and allocating the necessary skills and resources. Ronsadt goes further and explains entrepreneurship as the uncovering or developing of an opportunity so as to create value through innovation and by seizing that opportunity.

Ronsadt's views are supported by Rwigame and Venter (2004:6) who define entrepreneurship as a process of conceptualising, organising, launching, and - through innovation - nurturing a business opportunity into a potentially high growth venture in a complex, unstable environment.

According to Timmons and Spinelli (2003:1) entrepreneurship is the ability to create and build something out of practically nothing. They view it as initiating and building an enterprise or organisation, rather than just watching, analysing or describing one. They believe it is the knack for sensing an opportunity where others see chaos, contradiction and confusion. Lastly, these authors mention that it is the ability to build a "founding team" and to complement own skills and talents.

In support of the above definitions, Kao (1993:5) defines entrepreneurship as a process of doing something new and something different for the purpose of creating wealth for the individual and adding value to society. Dollinger (2003:5) interprets entrepreneurship as the creation of an innovative economic organisation (or network of organisations) for the purposes of gain or growth under conditions of risk and uncertainty.

No one definition can best define entrepreneurship. Summing up the above descriptions of entrepreneurship, it can be defined as an innovative process of uncovering a need fulfilling opportunity, often undertaken under risky conditions and using minimum resources to create wealth and add value.

2.3 SCHOOLS OF THOUGHT ON ENTREPRENEURSHIP

There are a few schools of thought that have emerged regarding the concept of entrepreneurship. For purposes of this study, two schools of thought will be studied.

- ◆ Those that examine entrepreneurship in behavioural terms, and
- ◆ Those that associate the concept with an individual.

2.3.1 Entrepreneurship as a behavioural phenomenon

Research has proven that entrepreneurship as an economic function is influenced by a range of behaviours. According to Dollinger (2003:38) the process of entrepreneurship starts with the identification of an opportunity and ends with harvesting. Defining entrepreneurship in terms of opportunity recognition and harvesting can help to provide mechanisms for inducing the desired behaviour. The author states that the characteristics of entrepreneurs can be divided into two categories, psychological and sociological.

2.3.1.1 Psychological characteristics

Timmons and Spinelli (2003:250) specified six themes of desirable and acquirable attitudes and behaviours, which are presented in table 2.1. Other behaviours as mentioned by different authors are also explored.

Table 2.1 – Six themes of desirable and acquirable attitudes and behaviours

Commitment and determination	Tenacious and decisive, able to recommit/commit quickly Intensely competitive in achieving goals Persistent in solving problems, disciplined Willing to undertake personal sacrifice Immersed
Leadership	Self-starter; high standards but not perfectionist Team builder and hero maker; inspires others Treat others as you would want to be treated Shares the wealth with all people who helped create it Honest and reliable; builds trust; practice fairness Not a lone wolf Superior learner and teacher Patient and urgent
Opportunity obsession	Has intimate knowledge of customers' needs and wants Market driven Obsessed with value creation and enhancement
Tolerance of risk, ambiguity and uncertainty	Calculated risk taker Risk minimizer Risk sharer Manages paradoxes and contradictions Tolerates uncertainty and lack of structure Tolerates stress and conflict Able to resolve problems and integrate solutions
Creativity, self reliance and uncertainty	Non-conventional, open-minded, lateral thinker Restless with status quo Able to adapt and change; creative problem solver Quick learner No fear of failure A to conceptualize and "sweat details" (helicopter mind)
Motivation to excel	Goal-and-results oriented; high but realistic goals Drive to achieve and grow Low need for status and power Interpersonally supporting (versus competitive) Aware of weaknesses and strengths Has perspective and sense of humour

Source: Timmons and Spinelli (2003:250)

2.3.1.1.1 Commitment and determination

Starting a new venture is not easy, it takes commitment and focus. Rwigema and Venter (2004:61) concur that all the efforts involved in accessing the opportunity, drafting a business plan, applying for finance, and the implementation can discourage the bravest soul. Committed and determined entrepreneurs endure to prevail. If they fail there is no one else to blame. To them obstacles are challenges to be overcome, fuelling them to even work harder and prove their worth.

2.3.1.1.2 Leadership

According to Coetsee (2002:61), an effective leader is one who, facilitates relationships, creates a motivating climate, proactive, focused on a vision, opportunity oriented, empowers, creates loyalty, empowers by transferring responsibility and creates an environment where people want to do things. In modern times an entrepreneur should be a team player, who can communicate at all levels with customers, suppliers, and employees. A good leader will create a winning team with shared value systems and vision.

2.3.1.1.3 Opportunity obsession

Timmons and Spinelli (2003:81) define an opportunity as a gap in the market where the potential exists to do something better and create value. In support of the above statement, the authors argue that the key to creating a venture with the highest value begins with identifying an opportunity in the “best technology and market space”, which creates the attraction for the “best management team”. According to the authors, opportunity is the key ingredient of entrepreneurship and it is a relativistic concept.

The above statements mean that opportunities for individuals differ, depending on age, financial resources, previous achievements and the social environment in which the individual functions. An individual’s particular talents, skills and attitudes towards risk influence the perception as to whether an outcome is feasible. Successful entrepreneurs realise their dreams through opportunity identification, resource organisation and effective implementation.

2.3.1.1.4 Tolerance of risk, ambiguity, and uncertainty

We live in a technological world which changes very fast. The conditions in the market place are never certain and risk is forever present. Modern entrepreneurs are therefore required to be flexible enough to adapt to changing circumstances. However shrewd entrepreneurs are not daunted by uncertain outcomes. Timmons and Spinelli (2003:253) support the above statements and view entrepreneurs as people who take calculated risks, work as a team and therefore share the risk. They also use emotional intelligence to solve problems and integrate solutions.

2.3.1.1.5 Creativity, self reliance and adaptability

Successful entrepreneurs, according to Timmons and Spinelli (2003:254), are have the ability to see and sweat the details and also conceptualise (i.e., they have helicopter minds). The authors see these individuals as people who are dissatisfied with the status quo and are restless initiators. They further argue that innovation to entrepreneurs means continually doing new things or improving current operations in order to cope with competition.

Bartol and Martin (1998) define creativity as the cognitive process of developing an idea, concept, commodity, or discovery that is viewed as novel by its creator or target market. Bartol and Martin argue that creativity in an enterprise introduces new solutions or new approaches of doing things. Rwigema and Venter (2004:65) believe that creativity and innovation are manifested in the creation of new products and services, invention of ways to cut costs, improvement of products, and the search for imaginative alternatives to what competitors offer.

2.3.1.1.6 Motivation to excel

According to Timmons and Spinelli (2003:254) entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals. Timmons and Spinelli argue that real entrepreneurs have low need for status and power, but they derive personal motivation from the challenge and excitement of building enterprises. The authors did a study of 130 members of the Small Company Management Programme at Harvard Business School. They found out that motivation to excel was the single most important factor in their long-term successes. The need to excel is characterised by high but realistic goals, drive to achieve and grow, and interpersonally supporting versus competitive.

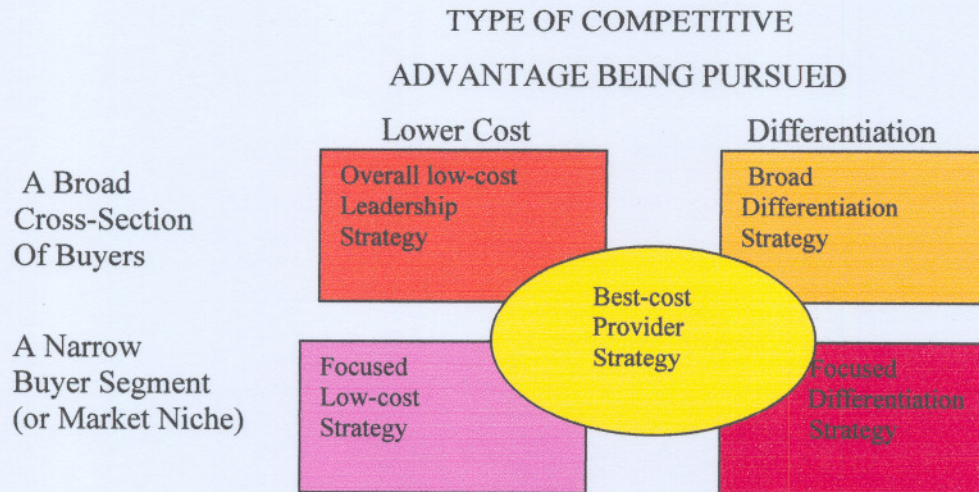
2.3.1.1.7 Strategic orientation

An entrepreneur is driven by the economic conditions that affect the business environment, and his/her success in business will be based on how fast he/she reacts to these conditions. In concurrence with the above statement, Lambing and Kuehl (2000:8) argue that when

companies face tough competition they should resolve to cost cutting, outsourcing, and aggressive marketing.

“The objective of competitive strategy is to knock the socks off rival companies by doing a significantly better job of providing what buyers are looking for” (Thompson & Strickland, 2003:150). Thompson and Strickland specify five distinctive competitive strategy approaches that stand out, as adopted from Porter (1980:35-40). The strategies are presented in figure 2.1:

Figure 2.1 The five generic competitive strategies



Source: Porter (1980:35-40)

- ◆ **A low-cost provider strategy:** appealing to a broad spectrum of customers based on being the overall low-cost provider of service or product.
- ◆ **A brand differentiation strategy:** seeking to differentiate the company's product offering from rivals' in ways that will appeal to a broad spectrum of buyers.
- ◆ **A best-cost provider strategy:** giving customers more value for money by incorporating good-to-excellent product attributes at a lower cost than rivals.
- ◆ **A focused (or market niche) strategy based on lower cost:** concentrating on a narrow buyer segment and out-competing rivals by serving niche members at a lower cost than rivals.

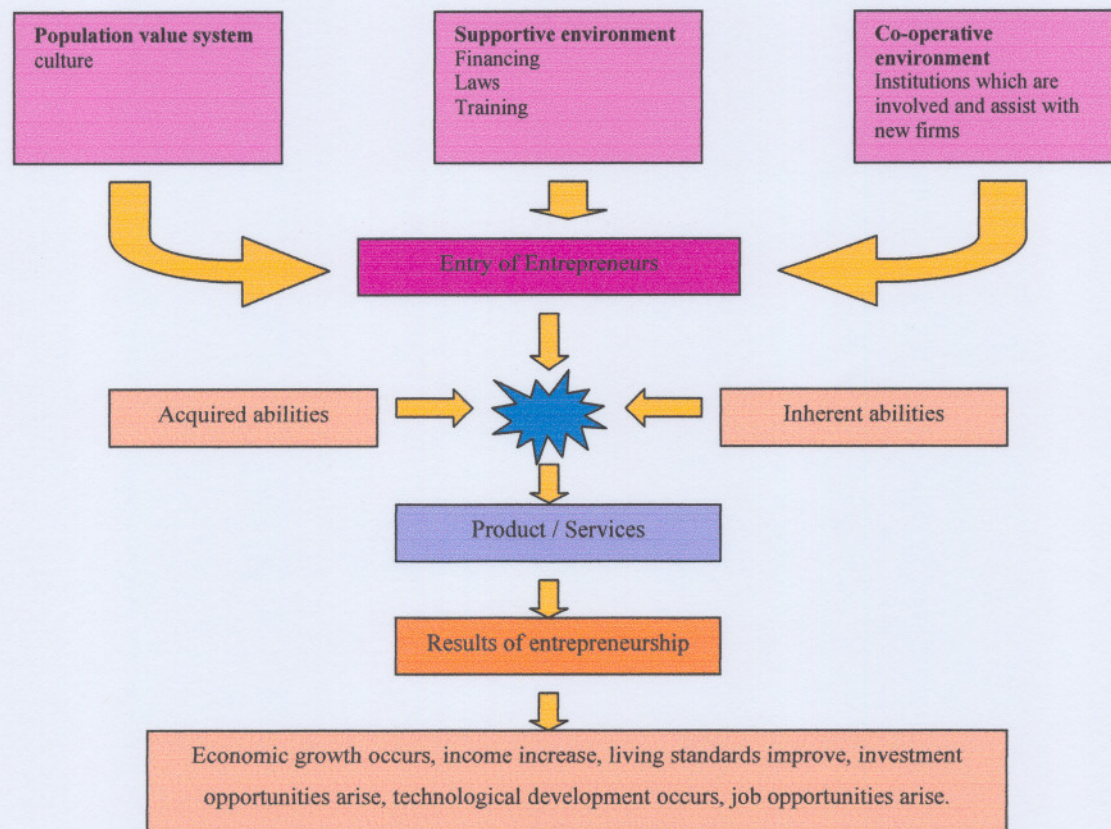
2.4 MODELS OF THE ENTREPRENEURIAL PROCESS

Two entrepreneurial models are discussed, the one by Marx *et al.* (1993:31) and the one by Timmons and Spinelli (2003:58).

2.4.1 Business model by Marx *et al.*

The model is presented in figure 2.2 and it focuses on the following main points: population and cultural influences, supportive environment, cooperative environment and economic growth.

Figure 2.2 Business Model by Marx, Reynders and Van Rooyen



Source: Marx *et al.* (1993:31)

- ♦ **A focused (or market niche) strategy based on differentiation:** concentrating on a narrow buyer segment and out-competing rivals by offering niche members customised attributes that meet their tastes and requirements better than rivals' products.

2.3.1.1.8 Commitment to resource

According to Timmons and Spinelli (2003:347), an entrepreneur is someone who starts the venture with practically very little or no resources, but with a lot of will and courage to succeed. Timmons and Spinelli argue that the decisions on what resources are needed and how to acquire them are strategic decisions that fit with the other driving forces of entrepreneurship. They further mention that these resources include people, finance, assets and a business plan.

Rwigema and Venter (2004:6) stress the need for an entrepreneur to utilize resources efficiently and use them for as long as possible. They argue that entrepreneurs should strive to develop sustainable competitive advantage by acquiring and protecting valuable resources. According to Rwigema and Venter, sustainable competitive advantage is created when a firm has strategic resources.

2.3.1.1.9 Energetic activity

Entrepreneurs possess higher energy levels than average people. They are active, mobile, and tend to be acutely aware of time constraints. They know that the traditional way of running a business does not always work. They always look for new ways of doing things and new things to do (Timmons & Spinelli, 2003:255). They recognize that in a changing market what worked well yesterday, will not work well today, will be inappropriate and will be obsolete the day after.

2.3.1.1.10 Innovative

Drucker (2004:31) sees entrepreneurs as individuals who act creatively, innovate and reconstruct. He values them as individuals who see and use profit-making opportunities by bringing together the factors of production. According to Drucker, there are seven sources for innovative opportunity:

- ♦ **The unexpected** – the unexpected success, the unexpected failure, the unexpected outside event.
- ♦ **The incongruity** – between reality as it actually is and the reality as it is assumed to be or as it 'ought to be.
- ♦ **Innovation** based on process need.
- ♦ **Changes in industry** structure or market structure that catch everyone unaware.
- ♦ **Demographics.**
- ♦ **Changes in perception**, mood, and meaning.
- ♦ **New knowledge**, both scientific and non-scientific.

2.3.1.2 Sociological characteristics

Sociological conditions play a very important role in determining whether people will become Entrepreneurs or not. Some of these factors are explored:

2.3.1.2.1 Education

It is true that a lot of entrepreneurs start businesses with little or no education, but Rwigema and Venter (2004:69) argue that a sound educational background can reinforce natural talent. Entrepreneurial success requires formalised knowledge of functional aspects like marketing, purchasing, supply chain management and finance. Like any other discipline, entrepreneurship can be learned. Although Rwigema and Venter support a sound educational background, they acknowledge that entrepreneurial education is not limited to formal education. It can be acquired through practice and some home reading. There should be a continuation of learning of new techniques and processes.

2.3.1.2.2 Cultural influences

According to Lambing and Kuehl (2000:19) different nationalities have different beliefs when it comes to entrepreneurship. The Japanese have been known to have an achievement-oriented culture, which helps entrepreneurs to persist until they succeed. Availability of resources might be dependent on race. Education levels, language barriers, economic and power inequalities are some of the issues affecting entrepreneurial development in Africa.

2.3.1.2.3 Career displacement

In his findings, Dollinger (2003:43) found that many people who start new businesses are displaced people in one way or the other. These are people who have been retrenched, fired or lost their jobs. These displaced people are more likely to take the risk and set-up their own businesses. It seems like starting a business is more the result of negative factors, than positive ones. The loss of one's job appears more likely to trigger a business start-up, than the recognition of an untapped market or the discovery of a new product.

2.3.1.2.4 Parental influence

The children of people, who started businesses, are more likely to go into business compared to the children whose parents are employed. Many entrepreneurial families involve their children in the business from an early age, starting by helping out. The business environment becomes part of their lives (Lambing & Kuell, 2000:36).

Balshaw (2003:9) made a conclusion that being involved in business from an early age, allows the children to acquire skill, gives them confidence that it can be done and reduces the risk factor. It is this continuity in generations, according to Balsaw, that it is estimated that 92% of all businesses in the United States are family businesses, generating 49% of the GDP. He indicates that in South Africa, 84% of businesses are family businesses.

2.3.1.2.5 Apprenticeship

Timmons and Spinelli (2003:260) define apprenticeship as a process of acquiring experience while working for an employer. According to Timmons and Spinelli successful entrepreneurs are likely to be older and have at least 8 to 10 years of experience. They are likely to have enough net worth to contribute to funding the venture or to have a good track record to give investors and creditors the necessary confidence. The authors further stress that having the relevant experience, know-how, attitudes, behaviours, and skills appropriate for a particular venture opportunity can dramatically improve the odds for success.

2.4.1.1 Population and cultural influences

Mueller and Goic (2002:403) believe that a community that has high regard for entrepreneurship facilitates entry of entrepreneurs into the business world. They also recognise that cultural values of a society are deeply rooted and therefore less influenced by experiences of recent economic and political systems and events. By definition, culture has a strong influence over a wide variety of human behaviours, including entrepreneurial behaviour. Although there are many ways to categorize countries in terms of culture, Mueller and Goic mention two categories that are particularly relevant to transition countries. They are individualism/collectivism dimension of culture and religious heritage.

- ◆ **Individualism:** measures the extent to which social ties and commitments are tight or loose within a society. In individualistic cultures, social identity is based on individual contributions. Basic social values emphasize personal initiative and achievement. Autonomy, variety, pleasure, and personal financial security take precedence over group loyalty (Mueller & Goic, 2002:403).
- ◆ **Collectivism:** in collective cultures people are born into extended families or clans, which protect them in exchange for loyalty. Social identity is based on group membership. There is greater emphasis on belong rather than personal initiative. In collective cultures, group decisions are considered to be superior to individual decisions. This collectivism leads to very strong family businesses that support each other (Mueller & Goic, 2002:403).

2.4.1.2 Supportive environment

From the model by Marx *et al.* (1993:31) it is clear that a supportive environment is one that is favourable to the entry of entrepreneurs into the business world. The model outlines financial support and flexible business laws as all important in the development of entrepreneurs in modern times.

According to Nolan (2004:78) a set of conditions is likely to hinder entrepreneurship in disadvantaged areas. These obstacles influence both the extent and form of entrepreneurial activity. They also affect the likelihood that new firms, once established, will survive. These impediments are the following:

- ◆ Limited social and business networks.
- ◆ Low levels of effective demand in the local economy.
- ◆ Constraints in access to finance.
- ◆ The system of tenure and low value of housing.
- ◆ A lack of skill and work experience and skill among residents.
- ◆ A lack of entrepreneurial role models.
- ◆ Cultural obstacles, such as linguistic barriers and a lack of affinity with mainstream institutions.
- ◆ Lack of personal motivation.
- ◆ Sectoral clustering.
- ◆ High rates of crime.
- ◆ Problems of transition from reliance on benefits.
- ◆ Inappropriate government regulation.

The above mentioned obstacles are not exclusive to deprived communities; however their prevalence, the likelihood that they will operate simultaneously, and their severity are often greater in poorer communities.

2.4.1.3 Co-operative environment

Finance Institutions, training institutions, trade organizations, government bodies, and NGO's are, according to Nolan (2004:81), all important in providing support to Entrepreneurs on an on-going bases to ensure sustainability. Co-operative and supportive environment must be in place so as to encourage entrepreneurship and to minimize the restrictions for small business people. This will equip future entrepreneurs with skills that are globally competitive. Nolan identified a few examples of policy innovation that leads to a co-operative environment:

2.4.1.3.1 Business networks and clusters

In the ideal cluster, according to Sverrisson and Van Dijk (2003:188), economies of scale and scope are achieved that are similar to those enjoyed by large-scale corporations. Clusters are therefore seen to be operative both at the level of economic transactions and in the exchange of ideas and diffusion of business and technical knowledge. Clustering of businesses is commonly held to mean that businesses are physically close to each other and that this proximity creates opportunities for collaboration. This leads to the following definition: clusters are relatively dense networks of enterprises and organisations, the value chain of which are connected but not necessarily through what we usually understand by economic transactions. A dynamic typology of manufacturing clusters is presented in table 2.2.

Table 2.2 A dynamic typology of manufacturing clusters and their evolution.

Type of Stage	Observable Indicator	Main observed benefit	Technical dynamic
Location	Proximity of firms	Information exchange	Imitation
Location market	Many similar activities	Easy access/competition	Product development
Location Network	Division of labour	Specialization	Complementarities
Innovative	Local novelties	Adapting (e.g. materials	Reverse engineering
Industrial District	Formal co-operation increased	Collective competition	Collective innovation

Source: Sverrisson and Van Dijk (2003:188)

The typology outlined in table 2.2 implies an evolutionary sequence, indicating that clusters can develop from one type to another. The clusters are divided as follows:

Location cluster: This is indicated by the proximity of firms, sharing of premises is common, in which the main observable benefit is the easy exchange of information that flows from the cramped conditions, and closeness (Sverrisson & Van Dijk, 2003:188). They also mention the diffusion of a range of still-tacit competence through direct observation, meaning that new ideas easily become public on a local scale. They further mention the importance of a two-way interaction between the local entrepreneur and entrepreneurial strategies: entrepreneurs

may well benefit from spills of collective information, knowledge and know-how, but can also enrich the local entrepreneur with new experiences.

In a study made in Accra, Van Dijk (1998) found that many of the entrepreneurs interviewed were ready to move to a location identified by local government for the concentration of metal-related trades. According to the findings entrepreneurs expected a number of advantages from being there, together with other entrepreneurs, particularly the rapid dissemination of information. Pederson (1997:15) observed that these kinds of clusters are not common in developed areas; rather they are common throughout Africa, in which a few workshops are struggling to maintain a local base.

Local market clusters: The presence of this type of cluster is indicated by the relative proximity of many similar activities and outlets, which cater mostly for similar customers. Informal sector areas in large towns and cities are agglomerations of local market clusters. A good example of this cluster is the Timber Market in Accra, where a variety of activities are found, but similar activities tend to be located close to each other (Sverrisson, 1997:170).

Sverrisson argue that customers will arrive, because they can find many similar wares on offer, be able to compare them. Suppliers will locate themselves nearby, because they are assured of outlets. Merchants and large-scale buyers are likely to seek out a cluster rather than scattered individual firms, given the alternative.

Sandee and Rietveld (2000:98) view this type of cluster as being highly effective for the development of new marketing opportunities. However they acknowledge that competition in these clusters is very intense, entrepreneurs will need to develop winning strategies to survive. Disadvantages in these clusters are outweighed by the increase in volumes. Firms out of the clusters risk not getting enough customers to survive.

Industrial estates, handicraft zones and municipal markets, are seen by Sverrisson and Van Dijk (2003:188) as 'formal' clusters, in which small enterprises are brought together. These clusters have the potential to develop into local market clusters as interaction is structured and proprietors of similar firms move closer to each other. Directing support to clusters in the form of credit and technical assistance can also encourage the process of cluster formation.

Local network clusters: Knorringa (1995) described these clusters as being characterised by basic division of labour among enterprises. The main advantages here are specialisation, with firms focusing on one or a few activities within a larger production chain, e.g. shoe soles. Apart from niches based on particular steps in the production process, various services, such as, for example, transport enterprises, and in more advanced forms, accounting services also find a fertile ground here. These clusters provide such services with easy access to adequate numbers of customers.

In his studies of clusters, Knorringa made a conclusion that the elementary division of labour in local network clusters creates opportunity for elementary forms of mechanization. This can take place in two forms:

- **The entire production is divided among small firms:** as among the enterprises in the Agra cluster studied by Knorringa (1995). In this cluster, the networked small firms catered for the low end of the market, and manually powered machines were used.
- **Diffusion of electrical machines:** in the carpentry cluster studied in East Africa by Sverrisson (1993) specialisation was closely related to mechanization: some carpenters would acquire machines, and then rent the use of them or provide services such as sawing, turning and planing.

Innovative clusters: these clusters produce locally developed novelties, which can be exported or imitated elsewhere, and which are based on the application of known techniques to, for example, locally available materials or the local competence situation. This is achieved mainly through the process known as reverse engineering, an advanced and explicit form of imitative adaptation coupled to local product development and the splitting up of processes to develop flexible production systems. Research on Japanese industrial development has provided many examples of this phenomenon, as has research in Korea, India and Latin America (Cho, 1994:113).

However, similar phenomena can be found elsewhere. For instance, van Dijk (1998:67) describes local entrepreneurs in Accra who make aluminium moulds used in the local production of household utensils, as well as components for block-making machines, car parts, gas cookers and gas containers for welders (carbide pots). Such entrepreneurs also make

carpenter's tools, spraying machines and bolts and nuts (Sverrisson 1997:23). Similar phenomena have been observed in Kenya and Zimbabwe as well (Halimana & Sverrisson, 2000:117). This suggests that the evolution of local light engineering industries is a key to the appearance of innovative clusters.

2.4.1.3.2 Networks of business angels

Access to institutional equity investment is essential for many growing companies, according to Marson and Harrison (1997:116). These authors believe that companies that provide venture capital are scarce in less dynamic regions and areas without substantial activity in financial services. Governments have created a wide range of schemes to expand equity in small firms and poorer communities. However, it is not evident that measures to increase levels of formal venture capital investment will have a large impact in disadvantaged locations.

In seeking to enlarge the volume of equity investment, Lange, Leleux and Surlemont (2002) believe that supporting business angel networks is likely to have the greatest payoff for local policy makers. Lange views networks for business angels' aim as being to match informal investors with ventures seeking small amounts of equity finance. Most angel networks are local in scope and operate with public support on a not-for-profit basis. Experience suggests that there are critical constraints in attempting to run such networks on a for-profit basis, despite the recent emergence of privately operated initiatives. Angel networks also are making increased use of information technologies to reduce and save costs.

2.4.1.3.3 Visible points of referral to professional advisers

In a number of countries, in recent years, Malecki and Poehling (1999:251) have observed that policy has shifted from public provision of business advisory services to a much greater emphasis on ensuring that entrepreneurs have easy access to private-sector sources of information and advice. Their findings also reveal that businesses use a wide variety of sources for obtaining information and advice. These include banks, accountants, solicitors, suppliers, customers, trade associations, public agencies, and social-professional groupings. A multipurpose and particularly highly valued information source is a small business's network with other firms.

Government programs that provide or subsidise the supply of business advice for small firms are wide spread according to Bennet and Robson (1999:158). For example, Small Business Development Corporations/Centres are present in all states around the world and offer broad spectrum of business counselling services. Bennet and Robson conducted a research, the findings of which suggests that growth in recipient firms is most closely associated with private sources of advice, such as lawyers, accountants, customers, and friends in business.

The research – which did not include start-up firms – indicates that government-supported advisory services have little effect on growth but do help rescue ailing businesses. According to Mole (2000:311) this may be due to the fact that clients often approach government services when they are experiencing difficulties, hence survival orientated advice is appropriate to most businesses. Mole argues that from a practical point of view, a comprehensive system of public outreach will be expensive, and prohibitively so, if attempting to provide one-on-one service for large numbers of micro-enterprises.

Furthermore, Mole believes that businesses in different sectors require different information and advice. It is against this background that a well functioning referral service is needed to privately provide advice and mentoring. Points of referral should be numerous and found in locations likely to be frequented by potential and actual entrepreneurs. In many countries, the internet has led to a significant expansion in access to business information.

2.4.1.4 Entrepreneurship and economic growth

Bleaney and Nishiyama (2002:46) identify a few factors that influence the speed of economic progress. Such factors may include climate, education, property rights, saving propensity, presence of seaports, etc. According to their empirical growth literature, Bleaney and Nishiyama have suggested a large number of economic and non-economic variables that may influence economic growth. Most factors contributing to economic progress can be measured using existing secondary sources for a wide variety of countries. However, aside from self-employment measures, which are questionable measures of entrepreneurial activity, there were no sources up till recently to compare this activity across countries. The Global Entrepreneurship Monitor (GEM) has changed this.

In his study, based on the GEM model, of 'potential in transition economies' in Poland, Romania, Slovenia, Croatia, Czech Republic, and Russia, Mueller (2002) found that entrepreneurial activity and economic progress are closely linked. Where economic growth and development are highest (i.e. Poland and Slovenia), so is entrepreneurial potential. Where development lags (i.e. Russia and Croatia), so do entrepreneurial potential. It is evident that as an economy develops and grows, more resources are available for the creation of new ventures, new opportunity come to surface. In turn, these new ventures spawn innovation fuelling additional growth. The cycle continues as economic growth stimulates entrepreneurial activity and successful new ventures stimulate further growth.

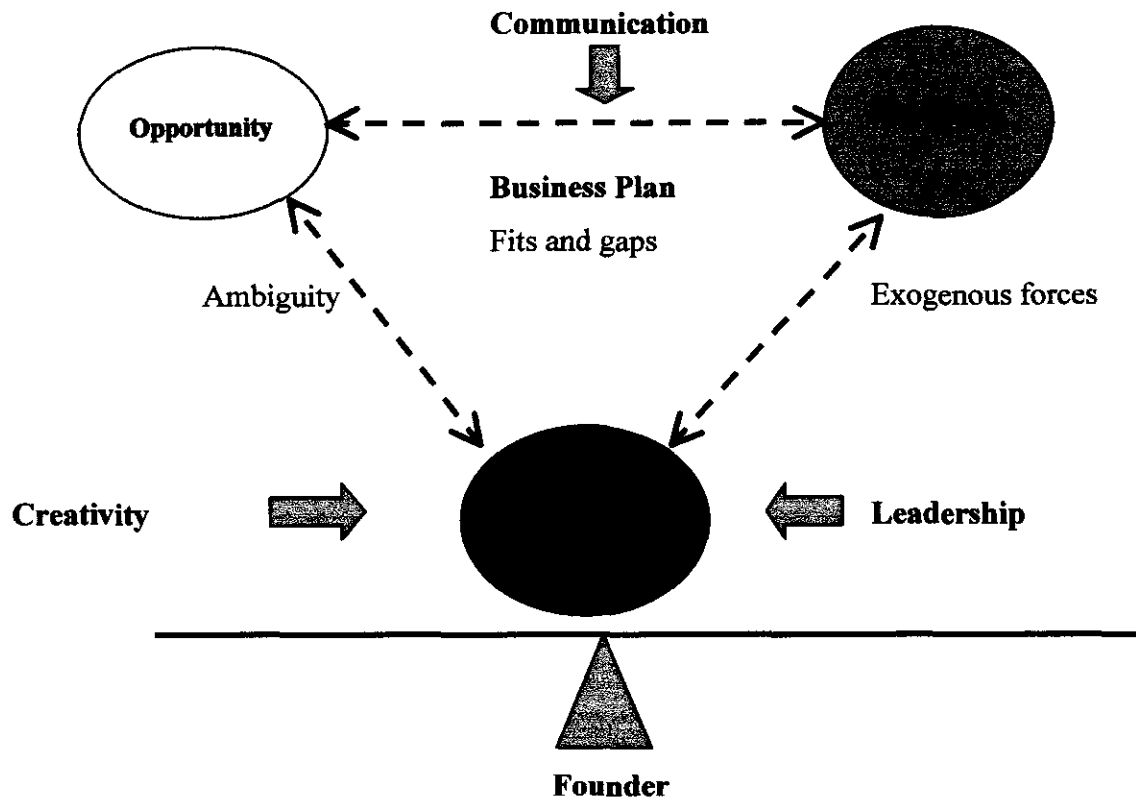
According to Vosloo (1994:386) countries that have succeeded in achieving significant economic growth and development in recent decades have several features in common:

- ◆ They invest wisely – in the skills development and entrepreneurial initiatives.
- ◆ They encourage new ideas, technological innovation efforts to achieve efficiency in the production of goods and services.
- ◆ They found complementary ways of interaction between government and market roles for efficiently organising the production and distribution of goods and services.
- ◆ They nourish entrepreneurship as the link between innovation and production: to perceive new economic opportunities, to take risks, to change methods of production and distribution, to do long-range planning, to assume individual responsibility and to marshal and manage production skills and resources.

2.4.2 Timmons business model

The Timmons business model is presented in figure 2.3.

Figure 2.3: Timmons business model



Source: Timmons & Spinelli (2003:57)

The main ingredients of this model are opportunity, resources, and the team.

2.4.2.1 Opportunity

According to Timmons & Spinelli (2003:58) the entrepreneurial process is opportunity driven. He specifies a few factors that determine the attractiveness and durability of an opportunity:

- ◆ **Market demand:** whether the payback time is less than one year? Whether the market share and growth potential equal 20% annual growth? Whether the customer is reachable?
- ◆ **Market structure and size:** whether the market is fragmented or emerging, the market size in money value, and possible barriers of entry into the market.
- ◆ **Margin analysis:** whether a venture is a low cost provider, capital requirements versus competitors, the breakeven time (1-2 years)

2.4.2.2 Resources

Timmons and Spinelli distinguish between financial and non-financial:

- ♦ **Financial resources:** although it is important to have this resource, it does not have to be a barrier to starting a venture. According to successful Entrepreneurs, having too much money is the worst thing that can happen to an Entrepreneur.
- ♦ **Assets and people:** doing more with less is very powerful competitive advantage, successful companies strive to minimize and control resources.

2.4.2.3 The entrepreneurial team

The authors identify a few characteristics that leader and the team should possess.

- ♦ **Entrepreneurial leader:** the leader is a teacher who learns and teaches fast. He/she deals with adversity and he is resilient. He/she exhibits a great deal of integrity and honesty. He/she builds a strong entrepreneurial culture and a successful organization.
- ♦ **Quality of the team:** The team is highly experienced and have a good track record. They are motivated to excel, committed, determined and persistent. Team members are creative, they are focused, they can adapt, and they are opportunity obsessed. Most of all they are leaders and are good at communicating.

2.5 SUMMARY

Entrepreneurship is a complex process that involves opportunity identification, wealth creation, offering of unique services or products, creativity, risk taking and making a difference. The world wouldn't be where it is today in terms of economic development and technological advancement if it wasn't of this process of innovation and creativity.

At the centre of the entrepreneur's characteristics is the opportunity, they should be able to identify, evaluate, explore and convert it to wealth. This would require the entrepreneur to be creative and to be very innovative. The entrepreneur would have to be an independent thinker who can see good where others see bad, who can dream and commit to achieving their

dreams. In modern times opportunities come and go at a very fast pace, therefore the entrepreneur should be able to recognise them while they are still viable and exploitable.

External factors play a critical role in opportunities, technological changes determine the life-span of a venture, how fast it should change and adjust. Political conditions have a direct impact on the business, the laws set for operating, policies of employment. Entrepreneurs should therefore be able to create new markets, look for new supplies and should be able to adopt new strategies well in time. They should be able to control resources, and to optimise their use. Their management structures should be cost effective, normally very flat. They should focus on core businesses.

For entrepreneurs to prosper and stay innovative and creative they need a supportive environment. They need to be empowered in terms of education and skills. They need financial resources to be accessible. They need to belong to business organisations where support is offered. A country that encourages a culture of entrepreneurship can look forward to economic development and growth.

CHAPTER 3

ENTREPRENEURIAL DEVELOPMENT IN SOUTH AFRICA

3.1 INTRODUCTION

There is an enormous problem of poverty and unemployment in the country. In South Africa we have two economies. The modern economy, which for all its problems has been developing, growing and diversifying, and the underdeveloped economy, where people are illiterate, without skills, live in areas without infrastructure, and don't have access to clean water and sanitation.

Entrepreneurship development, in contrast to most industrial attraction, builds wealth in community residents and increases the chances that the wealth will be retained within the community. In addition, the creation of a community of diverse entrepreneurs helps to overcome dependency on sectors such as routine manufacturing and agriculture that are concentrated in rural places.

Lastly, entrepreneurship development does more than create individual entrepreneurs. As entrepreneurs are supported within the community and wealth is created, those entrepreneurs can give back to the community through leadership, serving as role models for other entrepreneurs, and reinvesting in the community. These positive externalities are less likely to be created through the attraction of a large corporate entity into a rural community.

According to Lichtenstein and Lyons (2001:12), "the primary mission of enterprise development must be to develop entrepreneurs. The secondary challenge is to provide the services necessary to help those entrepreneurs become successful." Entrepreneurship development starts with the entrepreneur, identifying potential entrepreneurs, providing skills to help people realize their entrepreneurial potential, and empowering individuals to explore ideas and exploit opportunities to create their own businesses and their own wealth.

Another important part of an entrepreneurship development is the provision of a full range of support services for the entrepreneur. An effective support system will engage the entrepreneur in a long-term, interactive, “learning by doing” process. In addition, entrepreneurs flourish in a supportive environment that recognizes the importance of entrepreneurs within the local economy and acknowledges their achievements.

Social or public entrepreneurs help build this entrepreneurial community. Just as entrepreneurship development requires developing private entrepreneurs, it is also necessary to develop social or public entrepreneurs. However, it will require a better understanding of what makes these entrepreneurs effective before a strategy for expanding public entrepreneurship in rural communities can be designed and implemented.

According to the Global Entrepreneurial Monitor (GEM) rankings, South Africa has slipped behind. The GEM 2003 survey showed that South Africa ranked 22nd out of 31 countries in terms of new business formation. According to the report South Africa had a total entrepreneurial activity rate (TEA) of only 4.3% in 2003 (Orford, Wood, Fischer, Herrington & Segal, 2003:1). This is real cause for concern, especially with the high levels of unemployment that the country is faced with.

3.2 SOUTH AFRICA’S ENTREPRENEURIAL POSITION IN THE WORLD

In this subsection, the South African entrepreneurial activity and development is evaluated according to the Global Entrepreneurial Monitor (GEM). Firstly, the GEM model is defined to give clarity on how it works and then South Africa’s entrepreneurial performance compared to other countries in different categories is explored. GEM evaluates a country’s entrepreneurial performance based on total entrepreneurial activity (TEA) rate, the start-up rate, new venture rate, opportunity rate, necessity rate and company entrepreneurship. South Africa is classified as a developing country. Other developing countries in GEM are Argentina, Brazil, India, Thailand, Chile, Mexico, Uganda and Venezuela (Orford *et al.*, 2003:4).

3.2.1 The GEM model of entrepreneurship

For entrepreneurship to function, it must necessarily interact with the national political, economic and social environments within which it exists. It follows therefore, that in order to undertake any useful study of entrepreneurship, it is first necessary to have a clear understanding of the variables, which affect it and give form to the entrepreneurial process and to its relationship with national economic growth. Furthermore, in order for a large number of national teams to work together, it is necessary for the project to make a number of assumptions as to the nature of entrepreneurship and to define certain boundaries and terms for all to follow.

To begin with, the GEM study defines entrepreneurship as: Any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals or an established business (Reynolds, Hay, Bygrave, Camp & Autio, 2000:2).

Working from the initial assumption that entrepreneurship is critical to economic growth, the GEM model of Entrepreneurship and National Economic Growth was designed specifically to facilitate such understanding and analysis. According to Reynolds *et al.* (2000:2) the entrepreneurial measure is achieved through the identification of six major groups of variables, which are briefly described below.

♦ Social, Cultural and Political context

The cultural and political context looks at conditions and issues that have an effect in determining the general framework conditions as well as the entrepreneurial framework conditions. Whilst these are too numerous for all to be analysed within the GEM project, a number of key factors have been considered including demographic structure, investment in education, social norms and attitudes concerned with individualism and the general perception of entrepreneurs.

◆ **General national framework conditions**

The national framework conditions includes areas such as market openness, the role of government, management (skills), technology, research and development, physical infrastructure, financial markets, labour markets and social and legal institutions.

◆ **Entrepreneurial framework conditions**

The entrepreneurial framework conditions are to a great extent affected directly by the general framework conditions and as such provide a national context for the study. Key areas here include financial resources for new ventures, effects of government policies, existence of government programmes, levels of education and training, research and development transfer, commercial and legal infrastructure, internal market openness to competition and international trade, access to physical infrastructure (e.g. communications, electricity, land etc.) and existence of cultural/social norms which affect attitudes towards entrepreneurship.

◆ **Entrepreneurial opportunities & capacities**

Entrepreneurial opportunities are the presence of business opportunities in the market and their perception by the population. Entrepreneurial capacities combine the motivation of an individual to start a new business and the extent to which those individuals have the necessary skills.

◆ **Business Dynamics**

This factor can be described as business churning, i.e. rates of birth, growth, contraction and death of companies and jobs. Both the positive and negative aspects of this are important as declining businesses are phased out as new start-ups successfully compete for market space. These dynamic transactions take place in the context of the Entrepreneurial Framework Conditions mentioned above.

◆ National economic growth

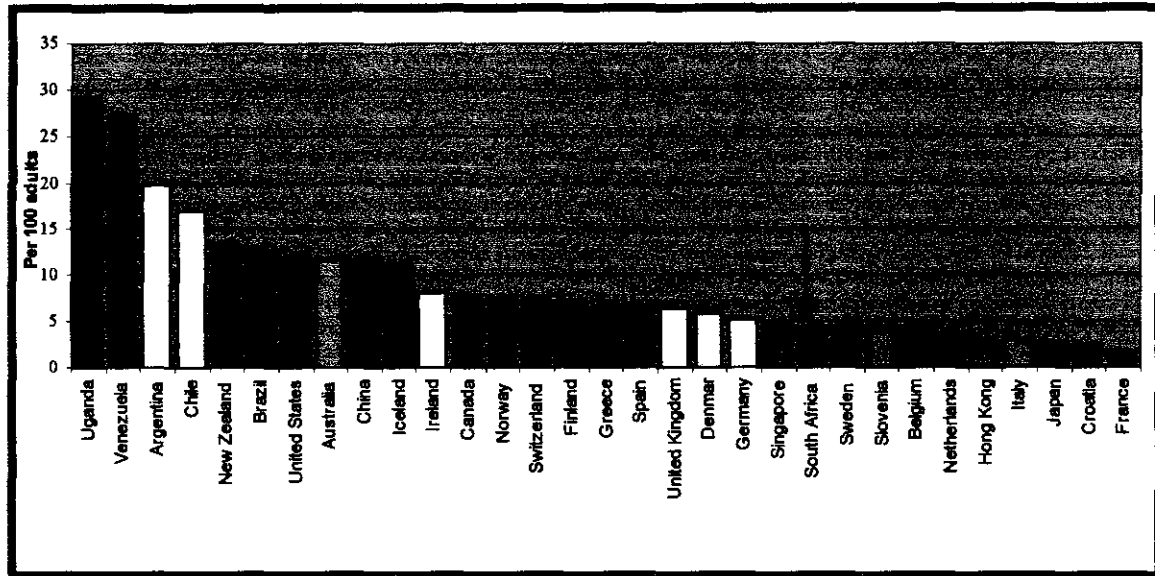
A set of measures used to calculate the positive trend in a nation's total output over the long term. These include GDP (gross domestic product) and levels of employment and unemployment. Central to the GEM model is the idea that national economic growth is a function of two parallel sets of interrelated activities: (a) those associated with major established firms, and (b) those related directly to the entrepreneurial process.

3.2.2 Total entrepreneurial activity (TEA) rates

The total entrepreneurial activity (TEA) index is used as the primary measure of entrepreneurial activity in the GEM model. The TEA is an estimate of the number of working age adults involved in starting or operating businesses up to 3.5 years old. It provides a unique basis for international comparisons of the level and nature of entrepreneurial activity (Orford *et al.*, 2003:5). Figure 3.1 gives a graphic presentation of the TEA rates for 2003 for all 31 member countries.

According to figure 3.1, South Africa ranked number 22 out of the 31 countries in TEA for 2004. South Africa's TEA rate in 2003 was 4.3. A cause for concern is the fact that there is a decline in South Africa's position within the global TEA rankings. The country ranked 19th out of 37 countries in 2002 and 14th out of 29 countries in 2001. The average TEA for developing countries for 2003 excluding South Africa was 21.2%. South Africa is far below average. According to the GEM report (2003:4) the average TEA rate for the period 2001 to 2003 for developing countries was 16%.

Figure 3.1 – TEA rates for GEM 2003



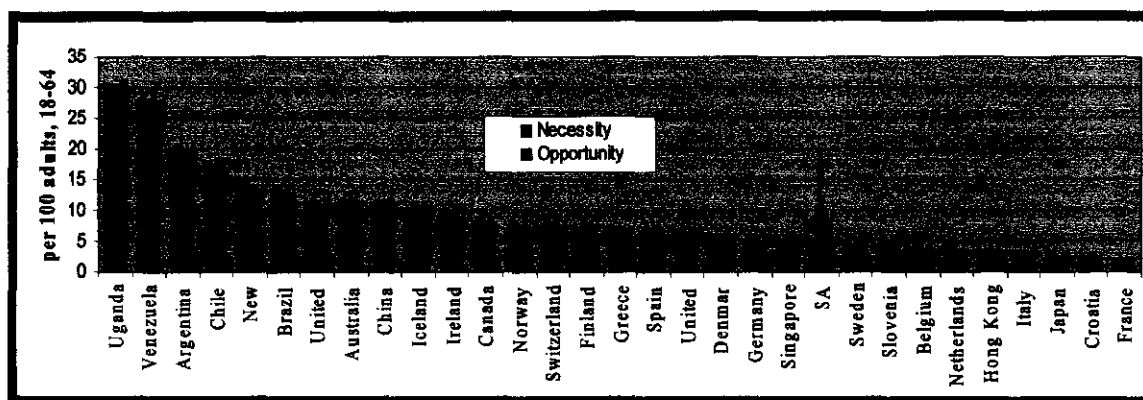
Source: (Orford *et al.*, 2003:3)

An interesting point is that South Africa was the only developing country from Africa included in the GEM study prior 2003. Uganda was only included in the 2003 study and has the highest TEA rate compared to all member countries, which is 29.3%. This shows that South Africa has a few lessons to learn from Uganda in terms of entrepreneurial development and new venture creations.

3.2.3 Necessity versus opportunity entrepreneurship

According to GEM, entrepreneurship or venture creation can be opportunity driven, referring to entrepreneurs who are “pursuing a business opportunity” or necessity driven, referring to entrepreneurs who “have no better choices of work”. Figure 3.2 gives a graphical presentation of the 2003 ratings for opportunity and necessity rates.

Figure 3.2 – Opportunity and necessity rates for GEM 2003



Source: (Orford *et al.*, 2003:4)

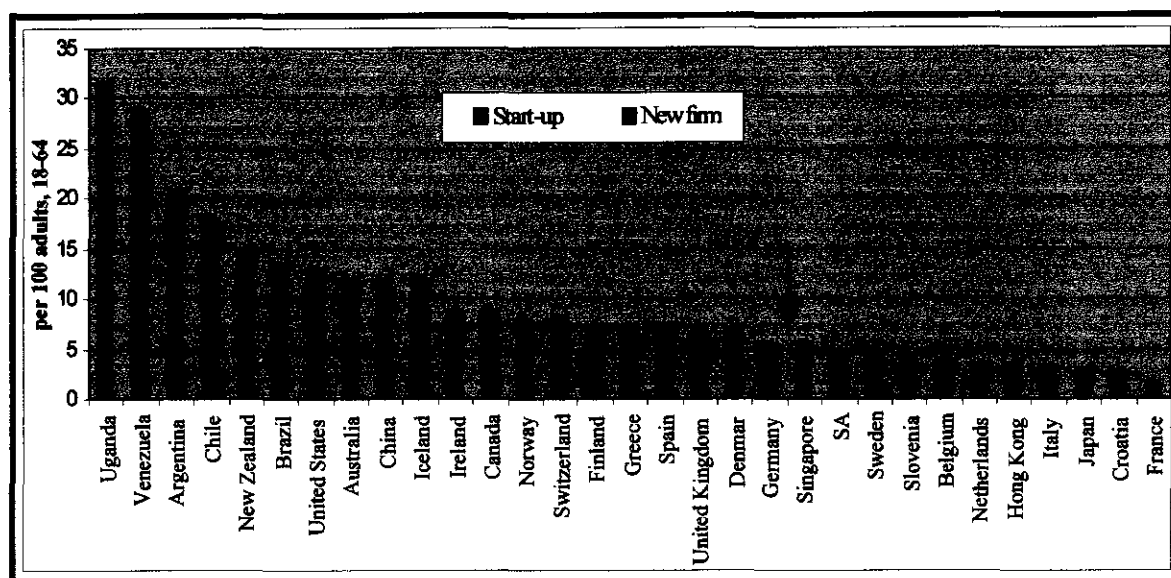
In general countries with lower per capita income have higher rates of necessity entrepreneurship. The GEM report shows that in 2003, 41% of entrepreneurs in developing countries were motivated by necessity. Only 34% of South African entrepreneurs are motivated by necessity, meaning 66 % of them are motivated by opportunity.

3.2.4 Start-up versus new firm activity

According to GEM, people who are involved in as owner-managers of businesses less than 42 months old are considered being involved in new business formation. Within this category GEM distinguishes between start-ups and new firms. Start-ups are regarded as businesses that have paid wages and salaries for less than three months while new firms have paid wages and salaries for 3 to 42 months (Orford *et al.*, 2003:5). Figure 3.3 gives a graphical presentation of start-up and new firm activity rates.

As seen from figure 3.3, South Africa's start-up activity rate in 2003 was 2.7%, which is considerably lower than 4.7% recorded in 2002. South Africa's start-up rate is lower than the average for developing countries, which is 12.8%. The country's ranking with regards to start-ups has fallen from 15th out of 37 countries in 2002 to 24th out of 31 countries in 2003. The new firm activity is constant at 2%, which is the same for both 2002 and 2003. The new firm activity is also way below the average rate for developing countries which is at 9.8%.

Figure 3.3 – Start-up and new firm activity rates for GEM



Source: (Orford *et al.*, 2003:5)

3.2.5 Firm entrepreneurial Activity (FEA) rates

In 2003, GEM introduced a new measure of entrepreneurship, which is firm entrepreneurship. Firm entrepreneurship looks at the resources that are devoted towards entrepreneurial goals by existing firms (Orford *et al.*, 2003:8). South Africa has the lowest rating in firm entrepreneurship among developing countries, which is 1.1%. The average FEA for all countries is 2%. This is a worrying factor for the country. It means South African companies are less innovative and not growth oriented enough.

3.2.6 Entrepreneurial attributes and attitudes

The entrepreneurial attributes and attitudes criteria explore the perception that individuals have about their ability to survive as entrepreneurs and their views on entrepreneurship as a career path. GEM investigated entrepreneurial attributes and attitudes through the adult population survey by asking a number of questions about attitudes towards entrepreneurship. Table 3.1 gives an outcome of adults responding “yes” to selected questions.

Table 3.1 – Attitudes to entrepreneurship (percentage of adults answering “yes”)

Minimum	21	7	12	32	44
Maximum	88	65	86	87	86
South Africa	33	28	32	48	48
G7	31	23	38	56	62
All GEM	40	34	44	61	65
Developing	44	49	66	80	74

Source: (Orford *et al.*, 2003:7)

GEM regards the first three questions in table 3.1 (whether or not you know an entrepreneur, whether or not you see good opportunities to start-up a business and whether or not you have skills for starting a business) to be very important predictors of involvement in entrepreneurial activity. South Africans who report that they have the skills to start a new business are six times more likely to be involved in starting or operating a new business than those who report that they do not have the skills to start a business. South Africans are less likely than their counterparts in developing countries to: know an entrepreneur; see good business opportunity; and believe they have the skills to start a business.

How entrepreneurship is perceived, is indicated in the last two questions in table 3.1. On average, compared to other developing countries, fewer South Africans believe successful entrepreneurs have a high status. These attitudes are an indication of a low culture of entrepreneurship in South Africa, and if things have to change, they have to start with the attitude change.

3.2.7 Enabling environment for entrepreneurship

GEM refers to the enabling environment as the “entrepreneurial framework”. A number of experts are interviewed in every country. The experts are asked to identify what they consider to be the three most important factors (entrepreneurial framework conditions) that limit entrepreneurial activity in their country. In table 3.2 the top two factors limiting entrepreneurship for different countries are presented.

According to results in table 3.2, the number one limiting factor for South Africa is financial support. It is interesting to observe that finance is the number one limiting factor for all developing countries. Education and training, cultural and social norms and capacity in the society for entrepreneurship are the second most frequently identified limiting factors.

Table 3.2 – Top two factors limiting entrepreneurship

Country	No 1 limiting factor	No 2 limiting factor
SA	Finance (24%)	Education (12%) Culture (12%) Entrepreneurial capacity (12%)
Argentina	Culture (36%)	Government policies (26%)
Brazil	Government policies (22%)	Finance (20%)
Chile	Finance (26%) Culture (26%)	Education (19%)
Venezuela	Politics, society and Institutions (28%)	Finance (20%) Government policies (20%)
Thailand	Entrepreneurial capacity (25%)	Culture (15%)
Uganda	Finance (24%)	Culture (15%)
All GEM	Culture (21%)	Finance (20%)
Developing	Finance (21%)	Culture (18%) Government policies (18%)

Source: (Orford *et al.*, 2003:11)

Table 3.3, provides a more disaggregated analysis of the top two limiting factors in South Africa. The table gives an indication of the frequency with which particular aspects of the top two limitations were mentioned. Within the problem of financial support, a majority of experts, 48%, believe that access to finance is the major problem. This is a common problem to many countries in GEM with evidence suggesting that entrepreneurs across the globe find it difficult to secure formal financing for new venture creation unless they have collateral or some other form of credit history which serves to mitigate the inherent risk in starting a new business.

In the education and training category, the two most commonly identified problems were the failure of the teaching system to develop entrepreneurial skills and attitudes at the secondary and post-secondary level and discrimination in the education system. Discrimination in the education system refers to the legacy of unequal access to education by different ethnic groups due to apartheid.

Table 3.3 – Disaggregated analysis of the top two factors limiting entrepreneurship in South Africa

Limiting factor	% experts mentioning this problem
Financial support	
The availability, accessibility and structure of debt capital, loans and credit	48
General access to finance	24
Availability and accessibility to early stage financial support	16
Funding discrimination: gender, ethnicity and age	12
Availability and accessibility of second level finance	12
Education and training	
Teaching and encouraging entrepreneurship skills amongst teenagers and adults in secondary and post-secondary teaching institutions	10
Discrimination in the education system	10
Cultural and societal norms	
Attitudes to women and other discriminated or disadvantaged groups	16
Cultural behaviours and characteristics that limit the tendency to act entrepreneurially	10
Capacity in population for entrepreneurship	
Entrepreneurial expertise (lack of)	22

Source: (Orford *et al.*, 2003:11)

Within the capacity in the population for entrepreneurship category, is the issue of entrepreneurial know-how and skills. Under this category experts overwhelmingly identified lack of entrepreneurial expertise as a major limiting factor in South Africa. This matches well with the fact that less South Africans have the necessary skills to start a business.

3.3 COMPETITIVENESS IN THE WORLD

Countries must strive to be more competitive than their rivals in order to survive in the global marketplace. Lall (2001:5) has argued recently that a country's competitive position 'depends crucially on the ability of markets to allocate resources optimally'. However, where markets fail, nations can improve their position by intervening to remedy or to exploit market failures. Nations can, for example, reap first-mover advantages or develop superior innovative and other capacities where markets fail, giving them a competitive edge over other countries.

Two studies have come to dominate the competitiveness field – the Global Competitiveness Report (GCR) of the World Economic Forum (WEF) and the World Competitiveness Yearbook (WCYB) of the International Institute for Management Development (IMD). Both studies assemble an enormous amount of data. These data are derived partly from statistical sources and partly from surveys. Surveys are conducted among business executives – 4 000 in the case of the WEF and over 3 600 for the IMD. The data provide criteria whereby the competitiveness of countries can be ranked.

The WEF derives 179 criteria for measuring competitiveness and the IMD 286 criteria. Data from the survey generate 140 of the WEF's criteria and approximately 104 of the IMD's criteria (Kaplan, 2003:76).

3.3.1 Global Competitiveness Report (GCR)

The World Economic Forum (WEF) employs two indices. The indices are explored and South Africa's rating for 2004 is analysed.

3.3.1.1 The Business Competitiveness Index (BCI)

The BCI is a complement to the medium-term, macroeconomic approach of the Growth Competitive Index. This index evaluates the underlying microeconomic conditions defining the current sustainable level of productivity in each country (Lopez-Claros, 2004: xiv). The BCI evaluates two specific areas that are critical to the business environment in each country:

- ◆ Company operations and strategy: sophistication of operating practices and strategies of companies. South Africa was ranked 24 in this category for 2004.
- ◆ Quality of the national business environment: the quality of the microeconomic business environment in which a nation's companies compete. South Africa was ranked 25 in this category for 2004.

3.3.1.2 The Growth Competitiveness Index (GCI)

The Growth Competitiveness Index (GCI), on the other hand, measures the factors that will contribute to the future competitiveness or growth of the economy. The overall rank for South Africa for 2004 is 41. The GCI is composed of three pillars:

- ◆ Technology index: is a measure of a country's technological readiness. South Africa's position in this category for 2004 was 40. This position was better than other developing countries like Brazil, Mexico and India.
- Public institutions index: the state of the country's public institutions. South Africa's position in this category for 2004 was 35.
- ◆ Macroeconomic environment index: the quality of the macroeconomic environment. South Africa's position in this category for 2004 was 48.

3.3.2 The World Competitiveness Yearbook (WCY)

According to the Institute for Management Development (IDM), a country's competitiveness ranking is made up of eight so-called input factors. These are the domestic economy, international presence, the government, finance, infrastructure, management, science and technology, and people. A country ranking is derived for each factor, utilising the standard deviation method to measure the relative difference between countries. These eight input factors are now aggregated into four factors – economic performance, government efficiency, business efficiency and infrastructure. Each of these factors is divided into five sub-factors (Travers, 2004:4). They are structured as follows:

- ◆ Economic performance is divided into domestic economy, international trade, international investment, employment and prices.
- Government efficiency is divided into public finance, fiscal policy, institutional framework, business legislation and societal framework.
- ◆ Business efficiency is divided into productivity, labour market, finance, management practices, and attitudes and values.
- ◆ Infrastructure is divided into basic, technological, scientific, health and environment and education

South Africa's ranking for 2004 is 47 out of 60 countries, showing a slight improvement from 2003, which was 49 (World Competitiveness Report, 2004). There is still a lot of work to be done to be among the top countries in the world.

3.4 ENTREPRENEURIAL SUPPORT AND COOPERATIVE INITIATIVES

Entrepreneurial support and cooperative initiatives in South Africa will be reviewed based on the entrepreneurial model by Marx *et al.* (1993:31), figure 2.2 in chapter 2. According to the model the following are important for entrepreneurial development: a supportive environment, a cooperative environment, the population value system, economic growth and employment levels.

3.4.1 Supportive environment

3.4.1.1 Trade and Investment South Africa (TISA)

The core business of TISA is developing South Africa's industries. TISA's core functions include coordination, developing and promoting exports and investment, and creating and changing policy. TISA houses all the sector business units, sector support services, Export Marketing and Investment Assistance (EMIA), foreign operations and foreign service management.

In further support for SMMEs the Export Credit Finance Guarantee Scheme for SMMEs has been introduced. The Scheme facilitates finance for SMMEs that lack working capital to procure material and services for the execution of an export order, and/or financing export trade debtors for a period of up to 180 days. Pre- and post-shipment finance can be obtained for export orders. Finance is provided by banks and can constitute up to 90% of export orders (SA Yearbook, 2003:163).

3.4.1.2 Enterprise and industry development

In order to support areas where there are very high unemployment rates and poverty, industrial development is implemented through the Spatial Development Initiatives (SDI) Industrial Development Zones (IDZ). These initiatives focus on high-level support on areas where socio-economic conditions require concentrated government assistance, and where inherent economic potential exists.

These programmes focus government attention on the various national, provincial and local government spheres, with the goal of fast-tracking investments and maximising synergies between various types of investments. The SDI programme consists of 11 local SDIs and four IDZs at varying stages of delivery. They are the following:

- ◆ **SDIs:** Maputo Development Corridor; Lubombo SDI; Richards Bay SDI, including the Durban and Pietermaritzburg nodes; Wild Coast SDI; Fish River SDI; West Coast Investment Initiative; Platinum SDI; Phalaborwa SDI; and Coast-2-Coast Corridor.
- ◆ **IDZs:** Gauteng, Coega, East London, Saldanha and Richards Bay.

IDZs are located near major transport nodes such as ports or airports. The benefits of IDZs are the following:

- ◆ support to investing companies, especially for Greenfield's development projects;
- ◆ access to transport for exporting purposes;
- ◆ waiver of import duties for products that are produced for export; and
- ◆ Subsidies in the provision of skills training for employees.

3.4.1.3 The Enterprise Organisation

The Enterprise organisation is part of the Depart of Trade and Industry that provides incentives to stimulate or catalyse investment in infrastructure, human resource development, integrated manufacturing and related activities, small business development, specific regions, and technology and innovation.

The programme is divided into four sub-programmes, namely:

- ◆ Investment incentives that promote higher rates of domestic and FDI in targeted sectors of the economy, through tax incentives and cash grants for investment.
- ◆ Infrastructure investment incentives that promote investment in critical economic infrastructure by leveraging private-sector investment through public-private partnerships.
- ◆ IMS support measures that promote the competitiveness of enterprises by supporting the diffusion of world-class management practices and technology; beneficiation and value-added regional production; equity and economic participation; knowledge intensity and services integration; and the support of integrated value matrices.
- ◆ Empowerment support measures that promote the growth of enterprises owned and managed by women and black people.

3.4.1.4 Technology Transfer Centre (TTC)

To speed up the transfer of technological innovations to the market, the TTC was established by the Council for Scientific and Industrial Research (CSIR) as an agent to provide the following services to industry in South Africa: negotiating and drafting assistance agreements related to technology transfers; technology-transfer training; technology evaluation, assessment and selection services related to technology transfer; technology advisory services; match-making between technology sellers and buyers and appropriate financial institutions; and if required, direct and/or indirect financial assistance for technology-transfer activities (SA Yearbook, 2003:166).

3.4.1.5 Small, medium and micro enterprises

The government has committed itself to the development of small businesses, through the National SMME development strategy, whose objectives are to:

- ◆ create an enabling environment for small enterprise,
- ◆ level the playing fields between big and small businesses, as well as between rural and urban businesses,

- ◆ facilitate greater equalisation of income, wealth and earning opportunities, and 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 (SA Yearbook, 2003:168).

3.4.1.6 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 (SA Yearbook, 2003:169).

3.4.1.7 National co-ordinating office of the manufacturing advisory office (NAMAC)

The manufacturing advisory office'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 in manufacturing. NAMAC currently has offices in all provinces in South Africa, 415 Business Referral and Information Network locations, provides franchise information and has establishment one-stop shops for business support services. Some of NAMAC's achievements include providing support to 1 400 enterprises, the creation of 1 800 new jobs in those enterprises, and ensuring that more than 15 000 jobs were sustained through the interventions of the Manufacturing Advisory Centres (SA Yearbook, 2003:170).

According to a report on the Sunday Times by Lupuwana (2004:7) by the end of 2004 there will be a new institution, Small Enterprise Development Agency (Seda). Seda will be formed by the joining of Ntsika Enterprise Promotion Agency and the National Manufacturing and Advisory Centres (Namac). According to Hlonela Lupuwana, CEO of DTI, Seda will bring

about integrated service delivery to small businesses. The Seda will use private-sector service provider to improve efficiency and speed delivery. According to a research done by DTI, it is indicated that small business owners, especially in rural areas, did not know about Ntsika and Namac.

3.4.1.8 Technology for Women in Business (TWIB)

To address the imbalances in the business world, the TWIB was formed. It aims to enhance the use of technology by women in business, promote innovation among women, and encourage young girls and women to choose careers in science and technology (SA Yearbook, 2003:170).

3.4.1.9 Umsobomvu Youth Fund

This youth fund was initiated by government, to promote an environment in which young people can develop the right skills to access sustainable jobs, start their own small and medium businesses. The following services are offered:

- ◆ **Youth advisory centres:** these are walk-in centres that provide youth with access to information and support that will lead them to making informed decisions relating to entrepreneurship. Twelve of these centres were funded in 2003 across the nine provinces.
- ◆ **The Umsobomvu Youth line:** this is a toll free call centre facility that allows young people to access information. Information is provided by trained agents.
- ◆ **The internet portal:** this is a medium to view information, also allowing them to view other linked sides (Umsobomvu Youth Fund Brochure: 2003).

3.4.1.10 Corporate SMME Development Forum (CSDF)

The CSDF is a private sector initiative to stimulate SMME sector's contribution towards economic growth, by providing commercial opportunities and by forming business linkages between them and the South African corporates. It is a member-based business association which exists to promote interaction between member companies in order to make it easy for disadvantaged SMMEs to access their procurement practices.

The CSDF was formed in 1997 as a section 21 company. Members include: Alstom, Amplats, BMW, Coca Cola, CSIR, Denel, DHL Courier Service, EDS, ECI, Engen, Eskom, Howden Africa, Infobank, Igwe Coal Corporation, Liberty Group, Nedcor, McCarthy Motors, Otis Elevators, Pinnacle, PPC Cement, Rand Water, Rotek, South African Bureau of Standards, SA Breweries, SA Post Office, Sasol, Saitis, Sentech, Siemens, Standard Bank, Steinmuller Africa, Transnet, Union Transport, Vodacom, and VW SA (Ryan, 2001:88).

3.4.1.11 Financial resources

The government in trying to bridge the finance gap in the creation and expansion of ventures formed a few finance institutions. The institutions are explored in subsections below.

3.4.1.11.1 Venture capital

Realising the importance of technological innovation, the Venture Capital Fund, which is a joint initiative between the DTI and the Council for Scientific and Industrial Research (CSIR) was formed. The main aim being the provision of early-stage capital, and to a lesser extent, expansion capital, for technology-based SMMEs, and management support for investee companies.

3.4.1.11.2 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 categorised into support to financial intermediaries as retail distribution networks, and direct services to SMMEs (SA Yearbook, 2003:170).

3.4.1.11.3 National Empowerment Fund Trust (NEF)

NEF's main objectives are to redress economic inequalities created by apartheid. This will be achieved by providing historically disadvantaged individuals (HDI's) with opportunities to acquire shares in both restructured state-owned assets and private business. The NEF will fund HDIs who want to start their own businesses or who want to expand, or those who want

to acquire shares in white owned businesses. Through its Group and Entrepreneurial Schemes Division, support is given to entrepreneurs in the small and medium sized sector with the specific aim of fostering business development (SA Yearbook, 2003:170).

3.4.1.11.4 Industrial Development Corporation (IDC)

One of the government's first in entrepreneurial support is the IDC, which plays an increasingly important role in both supporting and assisting with venture capital in the formation of new SMMEs. Tourism is just one of the latest sectors targeted. Over the last five years, the IDC has facilitated the creation of 70 000 jobs and approved projects responsible for generating more than R20 billion per annum in export earnings.

The IDC also facilitated investments of more than R21 billion into South Africa, and made significant progress in the support of BEE through providing loan finance to the value of R1,4 billion to historically disadvantaged businesses. Almost 60% of the IDC projects were in rural and peri-urban areas and 1 200 SMMEs received loan finance.

3.4.1.11.5 Business Partners

The private sector has shown interest in the development of SMMEs in South Africa, this commitment has led to the formation of Business Partners Ltd. It is formed by the following companies: DTI (through Khula Enterprise Finance) Remgro; the Business Partners Employee Share Trust; Sanlam, BHP Billiton South Africa; Amalgamated Banks of South Africa; Nedcor; FirstRand; Old Mutual; Nominees, Standard Bank; Investment Corporation of South Africa, Anglo American Corporation of South Africa; De Beers Holdings; and Standard Bank Nominees.

Business Partners is a specialist investment group, providing customised and integrated investment, mentorship, and property management services for SMMEs 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 and buy-ins, franchises, tenders and contracts. It also provides a range of value-added services including property broking, property management, consulting and mentorship.

Business Partners' property portfolio, which provides for the premises needs of entrepreneurs, consists of 320 properties across South Africa. The group's dedicated mentorship division also provides value-added services, including counselling, specialist management consulting, and turnaround and sectoral assistance (SA Yearbook, 2003:170-171).

3.4.1.12 Infrastructure

Infrastructure is a basic requirement for entrepreneurs to conduct business; they need proper buildings, roads, adequate water supply and a good transportation system. In this section, initiatives to improve infrastructure are looked at.

3.4.1.12.1 Urban and rural renewal

In 2001, the South African President, Mr Thabo Mbeki, launched the urban and rural upgrade pilot projects (Haffajee, 2001:23). These projects are funded by government, and the objectives are to improve housing, town planning, welfare, education facilities, health facilities and improving security.

The first to start was the Alexandra renewal project in 2001. Alexandra is a township in the north of Johannesburg. Over the next twelve years, R1.3 billion will be pumped into the development of this 98 year old township. The new suburb in Alexandra will be known as Riverbank, and it will have 20000 units for rental; a retail area called Pan-Africa, which is a bustle of taxis, hawkers and a row of formal shops that are always fully let. A similar project has been approved early in 2004 for the development of Evaton, in the Vaal Triangle.

3.4.1.12.2 Municipal Infrastructure Investment Unit (MIIU)

In 1998, the government created the Municipal Infrastructure Investment Unit (MIIU) as a non profit company tasked with channelling government grant funding and providing technical assistance to local government pursuing Municipal Service Partnerships (MSPs). MIIU helps local governments improve municipal services like water, sanitation, and waste management. This also entails helping municipalities explore all avenues available to them, from partnerships such as long term concession contracts, build-operate-transfer agreements,

management contracts and other partnerships with public and private entities, to financial and institutional models for sustainable delivery.

3.4.1.13 Training and education

According to the SA Yearbook (2003:172-173) education figures in the 2001 census showed both positive and negative trends. There was an improvement across the board. In the age group seven to 15, a total of 94% were in school. Children appeared to be starting school at a younger age. A comparison of the 1996 and 2001 higher education census data (which exclude those younger than 20) shows that the population percentage with completed secondary and tertiary education has increased SA.

The report further indicate that the percentage with no schooling or incomplete education has fallen. Education is becoming more important. Those who did not complete Grade 12 are finding that work options are limited to elementary, unskilled work, such as farm labour. The average South African had half a year more of education than in the 1996 census. However, while there was an improvement at the quantitative level, quality was an issue and the system was struggling to turn out matriculants with maths skills.

3.4.1.13.1 Skills development

One of the resources that a business needs is skilled people, skills also leads to innovation which will lead to new ventures. It is in this light that skills development continues to be high on the Government's agenda.

The introduction of Sector Education and Training Authorities (SETAs) was based on the AMIETB model in every sector of the economy. The SETA's came about as a result of the passage of the Skills Development Act (SDA) and the Skills Development Levies Act in the late 1990s. The legislation aims to shift the economy onto a growth path founded on empowerment of workers into a skilled labour force, rather than the low-skill, low-wage model pursued under Apartheid.

The legislation also aims to increase training expenditure by firms to counter their traditional failure to invest in human resource development. The SDA seeks to promote cooperation

between the state, capital and labour in place of the previous system of training provision that was unstructured, uncoordinated and not effectively regulated.

SETAs have now been established in 25 sectors and are expected to play a vital role in promoting the development of skills development strategies and plans at sector and workplace levels. SETAs are governed by a council comprising equal numbers from organised labour and organised employers, together with representatives from Government and professional bodies.

SETAs will plan, manage, fund and evaluate skills development. They are expected to develop sector skills plans and to encourage firms to prepare workplace skills plans. Based on the specific needs of their sector, SETAs are expected to quality-assure a hierarchically-ordered framework of nationally recognised qualifications, and to accredit training providers (SA Yearbook, 2003:183).

3.4.2 Government policies

To ensure proper development and monitor progress in the entrepreneurial initiative, the South African government has drafted a few policies. Amongst them we look at local economic development (LED) and black economic empowerment (BEE).

3.4.2.1 Local Economic Development (LED)

LED refers to sub-national action, usually sub-state and sub-regional, taking place within the context of the local labour market (Nel, 2003:5). LED is an applied economic development strategy which seeks to address site-specific needs through locally appropriate solutions. Such action is not the preserve of a single agency. Rather, successful LED depends on the formation of partnerships between key local stakeholders, preferably comprising local authorities, local business, community leaders and non-governmental organizations.

LED is mediated in South Africa and elsewhere by local crises and opportunities. In cities, according to Nel (2003:6) LED can develop along four distinctive lines:

- ◆ Cities as centres of production, i.e. the promotion of business and manufacturing.

- ◆ Cities as centres of consumption, i.e. the promotion of leisure, tourism and recreation activities.
- ◆ Cities as centres of information processing and decision making, i.e. corporate headquarters, high-technology and information industry.
- ◆ Cities as centres for government surplus, i.e. centres which seek government investment and functions to drive their local economies.

In order to attract these types of investment and development, cities offer what they perceive to be the unique advantages of their locality, usually backed up by illustrations of their infrastructural and service development. This approach is particularly noteworthy in European cities. In smaller towns and rural communities, but also within cities, LED is often undertaken as a broad-based community initiative led by a local NGO or a key local leader such as the local priest or mayor (Nel, 2003:5). Activities tend to focus on developing local potential with the aid of local resources and skills, and promoting activity such as small-scale farming, micro businesses and tourism.

In 1995 the South African government published its urban and rural development strategies (RSA, 1995a, and b) and identified LED as the prime mechanism for job creation, empowerment and local development. A range of provincial documents placing emphasis on LED and LED training are starting to emerge. Other key policy or legal provisions which provide a basis for LED are:

- ◆ The Constitution (RSA, 1996a) which obliges local government to engage in social and economic development;
- ◆ The Local Government Transition Act of 1993 and 1996 (RSA, 1993, 1996b);
- ◆ The Development Facilitation Act (RSA, 1995c);
- ◆ The Rural Development Framework (draft) (RSA, 1997); and
- ◆ The Local Government White Paper (RSA, 1998).

The White Paper introduces the concept of development local government, which departs from the traditional, limited focus of local government activity on service and infrastructure provision. 'Development local government' is defined as local government committed to working with citizens and groups within the community to find ways to meet their social,

economic and material needs and improve the quality of their lives (RSA, 1998:17). Within this context local government should:

- ◆ maximize social development and economic growth, in order to meet basic needs, deliver services, invest locally, develop land and encourage investment so as to create the conditions for economic development, to provide basic household infrastructure and to pursue affirmative procurement policies;
- ◆ integrate and co-ordinate development, in other words provide leadership and vision to local role players and to establish sustainable and liveable settlements;
- ◆ democratise development, empower communities and redistribute resources including service subsidies and support for community organizations; and
- ◆ lead and learn.

Specific aims of local government should be:

- ◆ to provide good basic services and to provide for cross-subsidization to support the poorest communities and to lever private sector investment;
- ◆ to create liveable, integrated cities, towns and rural areas through the promotion of spatial integration and sustainable environments; and
- ◆ to simplify regulations and support local procurement policies, zoning, the speeding up of delivery, the provision of one-stop shop facilities, marketing and investment, small business, training, research and links with relevant role players in the local area (RSA, 1998).

Four variants of LED currently feature in South Africa (Nel, 2003:9):

- ◆ Formal local government initiatives, which parallel traditional western thinking and, to a large degree, overlap with government thinking on the topic as detailed in its Local Government White Paper.
- ◆ Community-based/small town initiatives, which often develop as a result of NGO facilitation and support. Overlap with the government's Rural Development Framework (RSA, 1997) is evident.

- ◆ Section 21 development corporations. i.e. companies that promote local development within a selected spatial area, but not for gain.
- ◆ Top-down LED in which government, usually at the provincial level, and/or various national organizations attempt to catalyze and support local initiatives.

3.4.2.2 Black economic empowerment (BEE)

Black economic empowerment is an integrated and coherent socio-economic process, which is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of its citizens. It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity (Brown, Ggubule and Mosala, 2001:2).

According to the SA Yearbook (2003:176), to achieve its goals on BEE targets, the Government uses strategic employment of State Owned Entities (SOE) procurement budgets as instruments of BEE. During 2002, Eskom, Transnet and Denel had a combined discretionary procurement budget of just under R34 billion, of which just more than R9 billion was BEE-centred. Transnet committed 54,6% of its procurement-spend to BEE, followed by Eskom with 21,2% and Denel with 15%.

The report further mentions that government utilises various regulatory means to achieve its BEE objectives, including using a balance scorecard to measure progress made in achieving BEE by enterprises and sectors. The use of a common scorecard by different stakeholders provides a basic framework against which to benchmark the BEE process. The scorecard measures three core elements of BEE, namely:

- ◆ direct empowerment through ownership and control of enterprises and assets;
- ◆ human resource development and employment equity; and
- ◆ indirect empowerment through preferential procurement and enterprise development.

The scorecard is issued as a Code of Good Practice. The Code will allow for a measure of flexibility so that it can be adapted to the particular circumstances of specific sectors or enterprises, while at the same time bringing a measure of standardisation to the definition and

measurement of BEE. In particular, government will apply BEE criteria, as set out in the scorecard, whenever it:

- ◆ grants a licence to engage in a specific regulated economic activity, e.g. gambling or mining;
- ◆ grants a concession to a private enterprise to operate an asset or enterprise on behalf of the State;
- ◆ sells an asset or an SOE;
- ◆ enters into a public-private partnership; and
- ◆ engages in any economic activity.

In further pursuit of BEE and enterprise development, Eskom has launched an annual exhibition, Eskom Small Business Development Expo. This showpiece brings together aspiring entrepreneurs, business owners, buyers and corporate social investment managers. The Expo's prime objective is to stimulate growth of businesses, economic prosperity and entrepreneurial spirit. Last year the event was visited by 11279 people (Mwanambuyu, 2004:10).

According to Mwanambuyu, the Expo provides an interactive marketing platform that addresses the needs of aspiring entrepreneurs wishing to expand or diversify their businesses. It is an opportunity for exhibiting companies to meet Corporate Social Investment managers, buyers, and potential investors, and to develop ties between small business and big businesses seeking opportunities to strengthen their BEE procurement efforts. It is a lucrative platform for previously disadvantaged SMME companies from various industry sectors to exhibit their products and services.

3.4.3 Cooperative environment

3.4.3.1 Incubators and hubs

This is the concept referred to as business clusters in Chapter two of this study. The one applicable to the innovation and technology is classified as a local market cluster. The similarity of activities is that all businesses in this hub are technology focused. The South

African Business and Technology Incubation Association (SABTIA) was formed in Cape Town on March 2004 (Aron, 2004:12). It is a network of both government-funded, non-profit incubators and privately owned profit-driven entities. The Department, through Godisa, directly funds the following four incubators, namely:

- ◆ the Furniture Technology Centre (Furntech) in George, Western Cape, specialising in training, demonstration and incubation in furniture technologies;
- ◆ the National Fibre Centre in Port Elizabeth, specialising in research and development and incubation in natural fibres;
- ◆ the Downstream Aluminium Centre for Technology in Richards Bay, Kwazulu Natal, specialising in training and incubation in the beneficiation of aluminium; and
- ◆ the Mpumalanga Stainless Steel Initiative in Middelburg, Mpumalanga, specialising in incubation in the beneficiation of stainless steel.

The private sector established five other incubators, namely the:

- ◆ Acorn Incubator at the University of Cape Town, specialising in medical-device technologies;
- ◆ EgoliBio in Modderfontein, Gauteng, focusing on biotechnologies;
- ◆ Timbali Incubator in Nelspruit, Mpumalanga, focusing on floriculture technologies;
- ◆ Chemin Incubator at the Port Elizabeth University of Technology, focusing on fine chemicals technologies; and
- ◆ Brainworks Incubator in Sunninghill, Johannesburg, focusing on information, communications and electronic technologies.

Aron argues that Incubators and Hubs are still at an infancy stage, or rather initial stage of development, mostly in cities. The majority of these incubators are for high tech companies, predominantly ICT. There is still a long way before this concept will reach towns, let alone rural areas where they are needed most.

3.4.3.2 South African Women Entrepreneurs Network (SAWEN)

To fast track the incorporation of women into business, the SAWEN was established to assist aspiring and existing women in business. The Network advocates policy changes, builds capacity, and facilitates the access of women to business resources and information. SAWEN signed a memorandum of understanding with the Johannesburg Stock Exchange in May 2003. In accordance with the memorandum, the JSE will train these women entrepreneurs in the workings of stock, commodity and bond markets, the operations of the JSE, and how to engage with these markets and institutions.

3.4.3.3 Black Business Supplier Programme (BBSP)

The BBSP was launched in April 2003 by the Department of Trade and Industry. The BBSP is a 20:80 cost-sharing cash grant incentive scheme, which offers support to black-owned enterprises in South Africa. The scheme provides such firms with access to business development services that assist them to improve their core competencies, upgrade managerial capabilities, and restructure to become more competitive.

The scheme is aimed at growing black-owned enterprises by fostering links between black SMMEs and corporate and public-sector enterprises. Any enterprise that is majority black-owned (50 plus one share), has a significant number of black managers, and has a minimum trading history of one year, qualifies for the Programme. Enterprises with a maximum annual turnover of R12 million also qualify. The maximum grant that a single enterprise can qualify for is limited to R100 000.

3.5 PROBLEMS WITH SUPPORT AND COOPERATIVE INITIATIVES

No system is immune to problems, especially if it is dealing with change. Government initiatives have shortcomings in terms of delivery; these shortcomings are explored in the subsections below.

3.5.1 Financing of BEE deals

In the first wave of empowerment in the mid-1990s, BEE deals typically involved giving empowerment partners special-class shares that held no voting rights and which held diluted value. The requirements of the BEE Act and industry charters, however, require full economic ownership and voting rights to be transferred to empowerment players. However, transferring full ownership and control is no easy task as there is a lack of capital for empowerment deals.

According to Michael Fleischer (2004:6), prospective BEE partners have not been empowered in the past because they have not had the opportunity to build the capital required to buy into business. As a result, their access to capital is through loans. But BEE partners haven't had the opportunity to build assets to offer for security against loans. As a result, BEE deals have had to use complex financing mechanisms whereby new partners are given company shares with full voting and economic rights and then use the dividends or capital appreciation of those shares to pay for them at a later date.

3.5.2 Fronting

It comes amid growing concerns that fronting — a widespread practice that entails falsifying the empowerment credentials of companies — could have long-term negative effects on development. One of the sectors hard hit by this monster is the construction industry. According to the building federation's national general secretary, Aubrey Tshalata, they have noted with concern reported incidents of fronting including by five joint ventures and one private company involved in the multimillion-rand high-profile, uShaka Island Marine Park, in Durban (Tshalata, 2004:8).

According to the report this is common practice across the country in municipalities and provincial departments. Some black contractors have gone beyond fronting for whites. They are "selling" projects worth up to R3 million to white-owned companies for less than R100,000. Some black contractors win tenders, but when they realise that they will not be able to deliver them because banks don't want to offer them the necessary funds, they sell these to white companies, disguising them as a joint venture of some sort.

3.5.3 Service delivery

It is common knowledge that the level of entrepreneurial education is low in South Africa. Even if there support agencies in place, human capabilities will determine if these systems work or not. According to Septi Bukula, CEO of Upstart Business Strategies firm (specialising in enterprise development and research), small businesses sometimes go through the frustrating experience of being sent from one point to another by staff who most often do not know the totality and *modus operandi* of the offerings of the various institutions, government in general and extra-governmental support programmes (Bukula, 2004:41)

According to the SA Yearbook (2003:193) there is also a lack of delivery within the different SETA's and due to this lack of delivery, the department of labour has been given more powers to control and monitor the work of the SETAs. The new measures will include the following:

- ◆ It will be mandatory for SETAs to enter into an annual service level agreement with the Department of Labour.
- ◆ Regulation of SETA administration: the Minister's current discretionary powers to set the limit on the funds SETAs can utilise for administrative purposes will be extended to include determining staff salaries and allowances paid to Board members.
- ◆ Equity considerations: it will be obligatory for each SETA to address the question of equity for its governing body and staff composition.
- ◆ Employment and skills development agencies: small firms and non-governmental organisations will be able to take on the administrative functions associated with learnerships.
- ◆ Private employment agencies: the changes will give the Department the power to de-register unscrupulous private employment agencies and compel them to close down.

3.6 SUMMARY

South Africa as a developing country faces a lot of challenges in the field of entrepreneurial development. This is evident from the current ratings by the Global Entrepreneurial Monitor (GEM). The total entrepreneurial activity (TEA) is low in South Africa; it is way below the average for developing countries. Some of the contributing factors to the low TEA are the low rate of start-up activity, low new firm activity and low firm activity in the country. The bottom line to the low start-up and new firm activities starts with peoples perceptions towards entrepreneurship. South Africans do not embrace a culture of entrepreneurship. Their attitude towards entrepreneurship is negative. They are less likely to recognise business opportunities. They don't display entrepreneurial skills displayed by other developing countries.

The negative attitudes towards entrepreneurship are likely to be due to lack of role models and lack of an entrepreneurship oriented education system. The culture of entrepreneurship has not been strongly emphasised, especially to the majority of black South Africans. Under the apartheid system, blacks were supposed to be workers. This culture still manifests itself especially in the older generation, the fear for risk is high, and the dependency rate is high.

According to the World Economic Forum (WEF), South Africa is doing well as a developing country in the world competitiveness rankings. The World Economic Forum's Global Competitiveness Report (GCR) ranked South Africa as the leading country in Africa. The WEF ranked South Africa well in the microeconomic business environment and company operations and strategy criteria. However the Institute for Management Development (IMD) does not rate South Africa's competitiveness that high. IMD's World Competitiveness Yearbook shows that South Africa's infrastructure, economic development, business efficiency and government efficiency still needs to be improved.

The South African government is doing its bit to create a supportive environment towards entrepreneurial development. Given the problems of lack of education on entrepreneurship, and lack of skills in entrepreneurship, government agencies are not delivering to the levels that are required. Cities and towns are placing themselves as centres of production, consumption, information processing and government surplus in a quest to be viable local economies. Through collaborations with private companies and NGO's, local economic

development strategies are implemented. Each town or city can thrive on their natural resources, attractiveness, or highly developed infrastructure.

CHAPTER 4

EMPIRICAL RESEARCH RESULTS

4.1 INTRODUCTION

At the beginning of the literature review the meaning of entrepreneurship was explored in detail. It was concluded that entrepreneurship involves innovation, creativity, opportunity recognition based on needs and market demand, great deal of risk taking, uncertainty, wealth creation, and adding value to society. The psychological and social characteristics of entrepreneurs were explored. Amongst the psychological characteristics identified are need for achievement, desire for responsibility, future orientation, attitude towards money, skill in organising and perception on success. The social characteristics explored are education, cultural influence, career displacement and parental influence.

Factors that contribute to entrepreneurial development were discussed and analyzed. This was done through entrepreneurial models. The following elements were identified as crucial: support systems, cooperative environment, population value system, creation of employment, the team, opportunities, and resources. Entrepreneurial development in South Africa was explored. The different elements of the South African economy were evaluated based on the Marx *et al.* entrepreneurial model. The support in terms of finance and non-financial were evaluated.

In this chapter an empirical study of entrepreneurial developments will be done for the Ngwathe region. The chapter starts off with a look at the current business activity in the area and infrastructure offered by each town, which was compiled by the author. Secondly, the study explores the kind of entrepreneurs, the kind of businesses in the area, and business contribution towards economic growth.

Based on the literature review that was done a set of questions were set up in a form of two questionnaires. A qualitative research method was used to establish the current business and infrastructure status in the region. A qualitative descriptive research questionnaire was developed to get opinions from community leaders and business organisations about the

readiness for entrepreneurship in their communities. A quantitative research method by means of an explanatory research questionnaire, which is closed questions design, was also used. This questionnaire was targeting entrepreneurs, to gather information on businesses and the entrepreneurs.

4.2 OBJECTIVES

The empirical study is structured to achieve the following objectives:

- ◆ to get a database of businesses operating in the region;
- ◆ to investigate the level of readiness for entrepreneurial development;
- ◆ to investigate the calibre of entrepreneurs in the region;
- ◆ to explore the kind of industries/businesses operating in the region;
- ◆ to determine business resources used by the entrepreneurs in the area;
- ◆ to determine the extent to which support and cooperative services are used by entrepreneurs in the area; and
- ◆ to determine obstacles towards business/entrepreneurial development in the area.

4.3 SAMPLE AND PROCEDURE

The sample was chosen from entrepreneurs in the Ngwathe region as this study is focusing in this area. The focus was on businesses that are seen to be contributing to employment and economic growth in the region. A sample of 30 entrepreneurs were chosen and given explanatory research questionnaires to fill in. A sample of 10 senior entrepreneurs, two in each town, was interviewed to determine entrepreneurial readiness.

4.4 RESEARCH INSTRUMENTS AND DESIGN

The empirical research was done by the analysis of qualitative and quantitative data. The data was collected using both secondary and primary data collection methods.

4.4.1 Qualitative research method

The qualitative research method was done through both the primary and secondary data collection methods. The primary data collection method was done in two ways. The first one was in the form of a summary from interviews, the author's observations, and documents from local libraries. The purpose of this way of primary data collection was to get information on the current business activity, resources and infrastructure status in the region.

The second way of primary data collection was in the form of a descriptive qualitative research questionnaire. The descriptive research questionnaire was developed to get opinions from community leaders and experienced entrepreneurs about the readiness for entrepreneurship in their communities. The questions in the questionnaire were open-ended. A structured interview was used to collect the data. A summary of the structured interviews and the author's observation were used to compile the qualitative research results. The following were investigated:

- ◆ openness to entrepreneurial development,
- ◆ networking infrastructure,
- ◆ mentoring programs,
- ◆ business financing,
- ◆ entrepreneurial training,
- ◆ business counselling services,
- ◆ community leadership, and
- ◆ the authorities' willingness to invest.

A sample of the descriptive qualitative research questionnaire is attached to this study as addendum A.

The secondary data collection method was used for compiling a database of businesses in the region. The published data used in the study was gathered from Telkom's Phone book for the Free State, Parys website – www.parys.co.za and publications.

4.4.2 Quantitative research method

The quantitative research was done through both primary and secondary data collection methods.

The primary data collection was done through an explanatory quantitative research questionnaire. This questionnaire was targeting entrepreneurs, to gather information on the characteristics and conditions of entrepreneurs operating in different towns in the region. The questionnaires were administered, to increase the response rate. The questionnaires were delivered and collected by the author. The aims of the contents of this questionnaire were to:

- ◆ investigate the characteristics of entrepreneurs in the region;
- ◆ explore the kind of industries/businesses operating in the region;
- ◆ determine business resources used by the entrepreneurs in the area;
- ◆ determine the extent to which support and cooperative services are used by entrepreneurs in the area; and
- ◆ determine obstacles towards business/entrepreneurial development in the area.

A sample of the explanatory questionnaire is attached to this study as addendum B.

Secondary data was done through the raw data method. The secondary raw data collection method was used to get data on employment and industry activity statistics for the Ngwathe region. The data used in this study was obtained from Statistics South Africa website (www.statssa.gov.za).

4.5 RESEARCH FINDINGS

The qualitative and quantitative results of study are analysed. The results were summarised and are presented.

4.5.1 Qualitative research findings

The purpose of the qualitative research was to investigate business activity, basic infrastructure and entrepreneurial readiness in the region.

4.5.1.1 Existing business activity in the Ngwathe area

For purposes of this study, only businesses that employ more than five people will be mentioned. Addendum C presents a list of businesses that are operational in the different towns. This list will be useful for the promotion of the region, to indicate to potential investors what kinds of shops are operational in Ngwathe. The database was also a helpful reference for the drafting of the Entrepreneurial Development Strategy. The business activities are summarised, infrastructure and resources for each town are presented.

4.5.1.1.1 Parys

Parys is on the banks of the Vaal River, about 30 km from Sasolburg and 120 km South of Johannesburg. It is the most developed of the five towns and is the city of the Ngwathe Municipal Cluster and it hosts the Ngwathe Municipality management. Parys has positioned itself well as a tourist attraction centre. The benefits of being around the Vaal River are well utilised. The tourism boom has given rise to a lot of Bed and Breakfast facilities and restaurants. The main crops farmed in Parys are maize and sunflower.

Parys lies within the Vredefort dome, which is the remains of an ancient crater. The crater was formed 2000 million years ago when a meteorite as big as table mountain struck the earth. The crater was about 90 km in diameter with the centre of impact near Vredefort. Today not much of the original crater is left except for the hills around Parys and Vredefort with its unique fauna and flora (www.parys.co.za).

4.5.1.1.2 Vredefort

Vredefort is a very small town, about 11 km from Parys towards the North West province. Because of its closeness to Parys, a lot of its citizens work in Parys and there are no big businesses in the area. It is 14 km from Parys and people from this town do shopping in Parys. This is the town where the centre of the crater was formed 2000 million years ago when a

meteorite as big as table mountain struck the earth. There is not much that has been done to explore the potential for tourism around the dome in Vredefort. The main crops being farmed in Vredefort are maize and sunflower.

4.5.1.1.3 Heilbron

Heilbron is the second biggest town after Parys in the region, it has a great potential for being a manufacturing hub in the region. It is along the main road to the Eastern Free State towns like Qwaqwa, Reitz, Petrus Steyn, Lindley and Bethlehem. Heilbron is surrounded by farms, and its main crops are maize and sunflower. The town has established itself well as a centre for manufacturing. It has the following manufacturing activities:

- ◆ Verstex clothes manufacturing factory which employs 130 employees;
- ◆ Tudor furniture manufacturing company which has 55 employees;
- ◆ Clover SA which has three divisions: Production, Procurement and Transport, the plant employs 256 people; and
- ◆ Pakworks, which uses former Simba's premises for packaging of peanuts for Simba, employs 30 people.

4.5.1.1.4 Koppies

Koppies is a small town along the R82, about 78 km from Vereeniging and 60 km from Kroonstad. It is approximately 30 km from Vredefort, 35 km from Edenville and 40 km from Heilbron. It is in the middle of the Ngwathe Municipal cluster. This is the only town in the region that is on the main Johannesburg/Cape Town railway line. The town has a big dam, Koppies Dam, which has potential for tourist attraction. The dam draws water from the Renoster River. Koppies is also surrounded by a lot of farm. The main crops in Koppies are maize and sunflower, with a fraction of potatoes, peanuts and sorghum.

The biggest employer is G & W Base Minerals Mine, which is situated about 15 km from town. The mine employs 65 people. It produces bentonite, which is a soft clay substance composed essentially of clay minerals of the montmorillonite group. Bentonite is formed from chemical weathering of volcanic materials such as tuff or glass, volcanic ash, other igneous rocks, or from rocks of sedimentary origin. Bentonite is used for foundry sand binder, civil

engineering (sealing, capping, drilling), cat litter, wine purification, bleaching clay, and ceramics.

4.5.1.1.5 Edenville

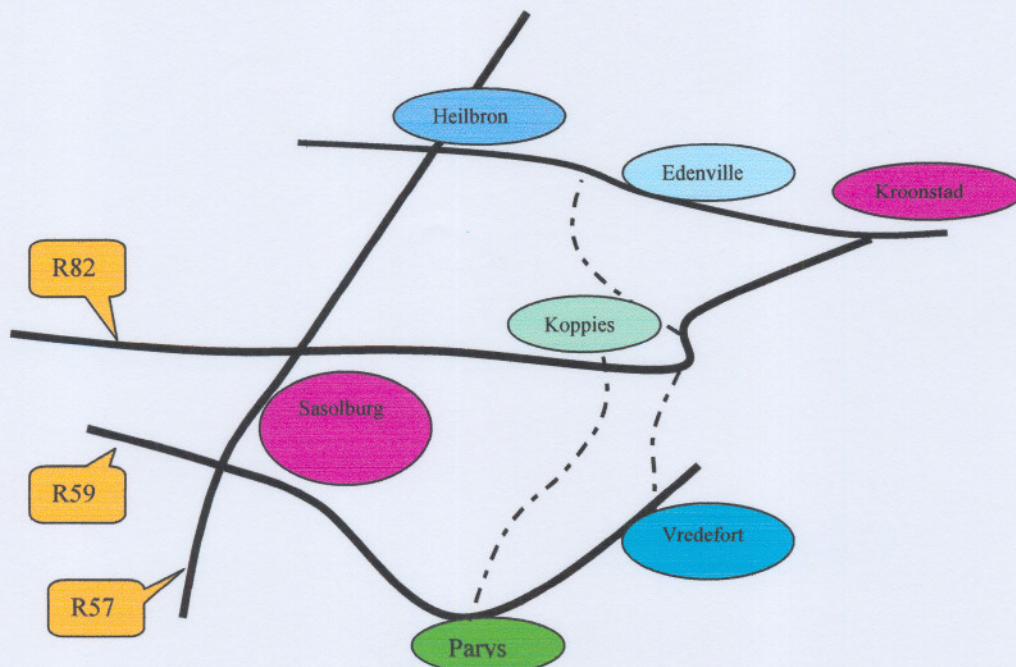
Edenville is the smallest of the five towns and is midway between Heilbron and Kroonstad. The people in this area do shopping in Kroonstad, which is about 35 km away. The local municipality and the construction contractors are the main employers in this town. There are no natural resources that can be explored for tourism purposes. Clean water supply is also a problem, there is no big dam nearby. The main crops in Edenville are maize and sunflower.

There are no significant businesses operating in the town, only a few small food mini-markets. About 8 km from Edenville towards Lindley is the Sernick cattle feed plant. The factory employs 100 people and is on a farm.

4.5.1.2 State of Roads linking the Ngwathe towns

The roads connecting the towns are an impediment to trade between the Ngwathe towns. The roads are illustrated in figure 4.1.

Figure 4.1 Roads linking Ngwathe towns



The solid lines represent tarred road and the broken lines represent gravel road. There are no tarred roads directly connecting Koppies and the other towns in the region. For example to get to Parys from Koppies on tarred road one has to pass through Sasolburg. There are tarred roads connecting Parys to Vredefort, Parys to Heilbron via Sasolburg and Heilbron to Edenville.

4.5.1.3 Readiness for entrepreneurial development

A questionnaire was drafted as a framework to test the readiness for entrepreneurial development in the region, evaluating each town (refer to Addendum A). The author filled this questionnaire by interviewing prominent business people and politicians in the Ngwathe region. The results are presented below.

4.5.1.3.1 Openness to entrepreneurship

There is no commitment to exploring entrepreneurship as an economic development strategy in the region, especially from the local government. There are entrepreneurs who can create a new generation of successful businesses, only if the infrastructure is developed to help them establish businesses. This is evident in Parys, where tourism is the main attraction for business people and hence the high level of entrepreneurial development.

The level of commitment from community leaders is really doubted in terms of entrepreneurial development; rather the business people are taking initiatives by themselves to improve trading. Basic infrastructures that attract businesses are not addressed, especially in the smaller towns. In Koppies there is a problem of water levels being reduced due to mud build up in the Koppies dam, which is a main source of water in this town. The state of the roads in Koppies is also bad, which does not give a good impression to potential investors.

In Edenville there is also a problem of lack of water supply, the community rely on borehole water, and to address this problem water has to be sourced from Heilbron. Heilbron gets its water from the Vaal River. The roads in Edenville are not developed. Sanitation is still a problem in Edenville, as people are still using bucket toilets.

4.5.1.3.2 Balancing business attraction

The region does not fully utilize its resources for business attraction. There is an enormous potential for tourism attraction in the region, there is potential for commercial farming, there are skilled people in art crafts. Koppies dam is a potential tourism attraction. The Dome, in Vredefort has enormous potential for tourism attraction. Parys is utilizing its position well and placing itself as a tourist attraction town.

4.5.1.3.3 Entrepreneurial programs

Lack of networking in the region is one of the obstacles towards development. Within the black communities there were no networking structures identified. There are a few networks amongst the whites. In Heilbron there is Heilbron Aksie, in Koppies there is the Afrikaans Handels Instituut. There are no business networks that were identified in Vredefort and Edenville.

Mentoring for entrepreneurs is limited; the local municipality has appointed a Project Manager who assists SMME's with administration and technical skills for government projects. In general mentoring initiatives for young people, women and previously disadvantaged individuals, who aspire to be in business, are limited. Business financing is mainly through local banks; government agents are not accessible in these areas. The Free State Development Corporation that is servicing this region is based in Qwaqwa. Umsobomvu Youth Fund does not have offices in the Free State.

Entrepreneurial training is limited in the area, there are no NGO supported training facilities to train people in basic business management skills, as is done in other parts of the country. Those entrepreneurs, who use external business consultants, travel to Vereeniging and Vanderbijlpark for the services.

4.5.1.3.4 Leadership team

There is a strong blend of entrepreneurs in the area who, through collaboration with the local government can help create an entrepreneurial strategy for the region. The entrepreneurs are well experienced and matured.

4.5.1.3.5 Willingness to invest

The community's willingness to invest in development is judged by basic infrastructure that leads to the attraction of investors. There is little if any money put aside for development programs in the region, there is no evidence to prove that such programs do exist. Roads are not well developed in Koppies and Edenville. There are no buildings that are government sponsored to support entrepreneurs and facilitate entrepreneurship. Money needs to be invested in solving infrastructure problems in the area. Water supply has to be addressed, sanitation has to be there in every town, and health care facilities have to improve.

4.5.1.3.6 Beyond the town borders

There are no structures in place for initiatives that encourage collaboration between the Ngwathe region and other external towns. Trade that happens between the region's businesses and other neighbouring towns takes place on an informal basis. There is also limited trade between the Ngwathe towns, and this is partly because there are no proper tarred roads connecting the region's towns.

4.5.1.3.7 Readiness factor - scores

The entrepreneurial readiness scores for Ngwathe are presented in table 4.1. The score card is part of Addendum B.

Table 4.1 – Score card

Factor	Not ready			Very ready	
Openness to entrepreneurship	1	2	3	4	5
Balancing business attraction	1	2	3	4	5
Entrepreneurship programs	1	2	3	4	5
Leadership team	1	2	3	4	5
Willingness to invest	1	2	3	4	5
Beyond town borders	1	2	3	4	5

Overall Score **12**

The community is ranked on each readiness factor using a 1-5 scale, where 1 is a limited degree of readiness and 5 is a high degree of readiness (refer to Addendum B).

The scores in bold are added to give the overall score. The overall score for Ngwathe is 13. The scores were allocated based on the questionnaire answers. The scores are for the whole region and are not town specific. Table 4.1 illustrates the scores as they were obtained from Addendum A. This exercise is useful in terms of identifying areas that may need to be strengthened as the community pursues an entrepreneurship development strategy.

Table 4.2 – Score assessment

Score	Rating	Readiness	Recommended actions
1-5	Weak score	Little readiness	Capacity building required
6-10	Soft score	Some readiness	Gap filling necessary
11-15	Good score	Readiness present	Build on assets
16-20	Good score	Readiness present	Build on assets
21-25	Strong score	Considerable readiness	Energise your entrepreneurs

Table 4.2 presents the assessment criteria for the scores (refer to Addendum A). According to the criteria, Ngwathe shows some readiness, with a score of 13. The region will have to build on assets to create an environment conducive for entrepreneurial development.

4.5.2 Quantitative research results

The quantitative research was done to get information on the characteristics of entrepreneurs in the region, type of businesses, and obstacles towards business in the region.

4.5.2.1 Entrepreneurs in the area

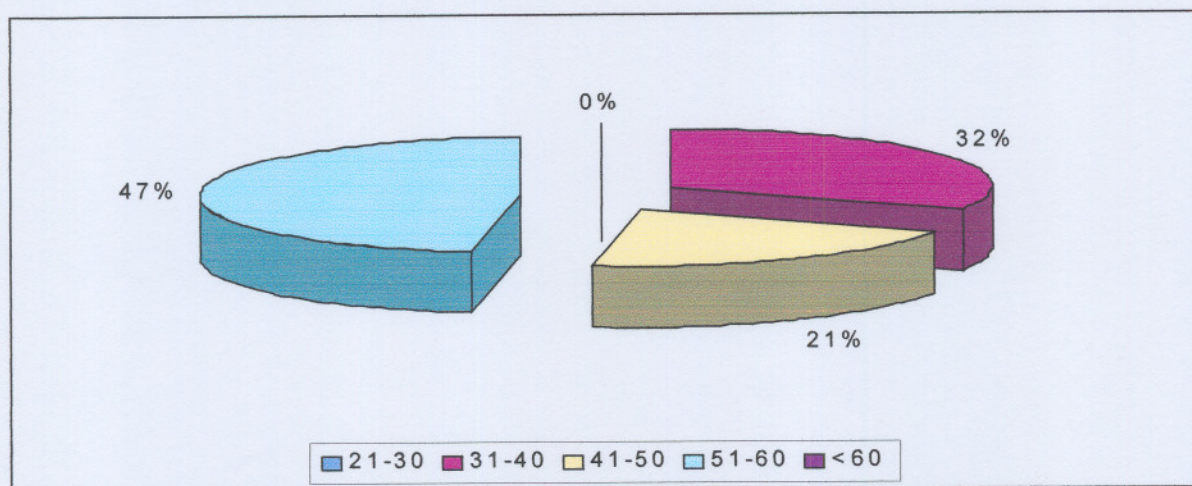
In the literature review, desirable characteristics, attributes and attitudes for entrepreneurs were emphasised. This part of the questionnaire investigates the attitudes and characteristics of entrepreneurs in the Ngwathe region.

4.5.2.1.1 Age distribution

Purpose: To investigate the age distribution of entrepreneurs in the Ngwathe region.

Results: The results are graphically presented in figure 4.2.

Figure 4.2 – Age distribution



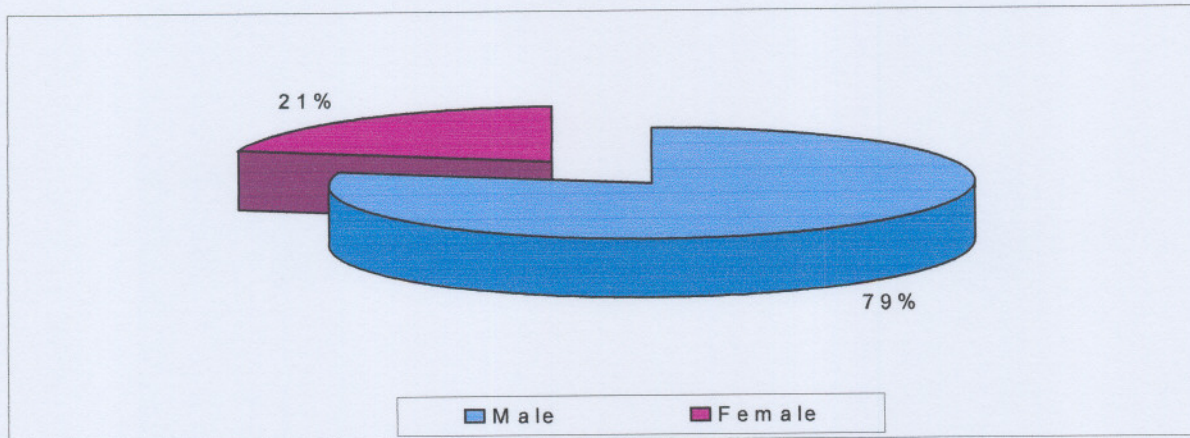
Discussion: The majority of businesses in the area are run by old people, 47% of them being between 51 and 60 years. Figure 4.2 further indicates that there are no youth operated businesses in the area. Only 21% of businesses are run by people between 41 and 50 years, so in general the majority of businesses are run by mature and elder people.

4.5.2.1.2 Gender distribution

Purpose: To determine the gender distribution among entrepreneurs in the region.

Results: The results of the gender distribution are graphically presented in figure 4.3.

Figure 4.3 – Gender distribution



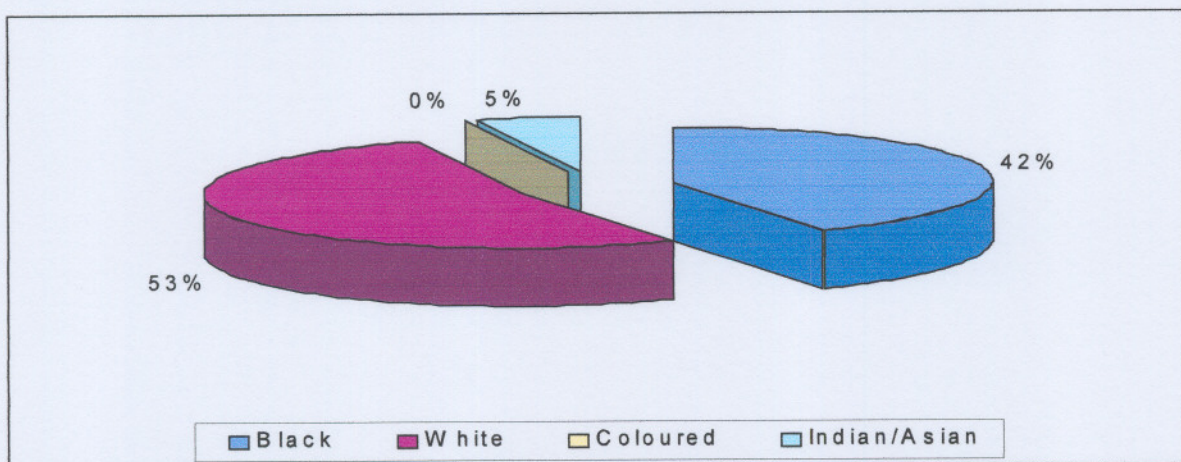
Discussion: Males (79%), as indicated in figure 4.3, run the majority of businesses. Women entrepreneurs are a minority in the region, only forming 21% of entrepreneurs.

4.5.2.1.3 Race distribution

Purpose: To determine the involvement level of each South African race in business in the region.

Results: The results of the different race involvement in business are graphically presented in figure 4.4.

Figure 4.4 – Race distribution



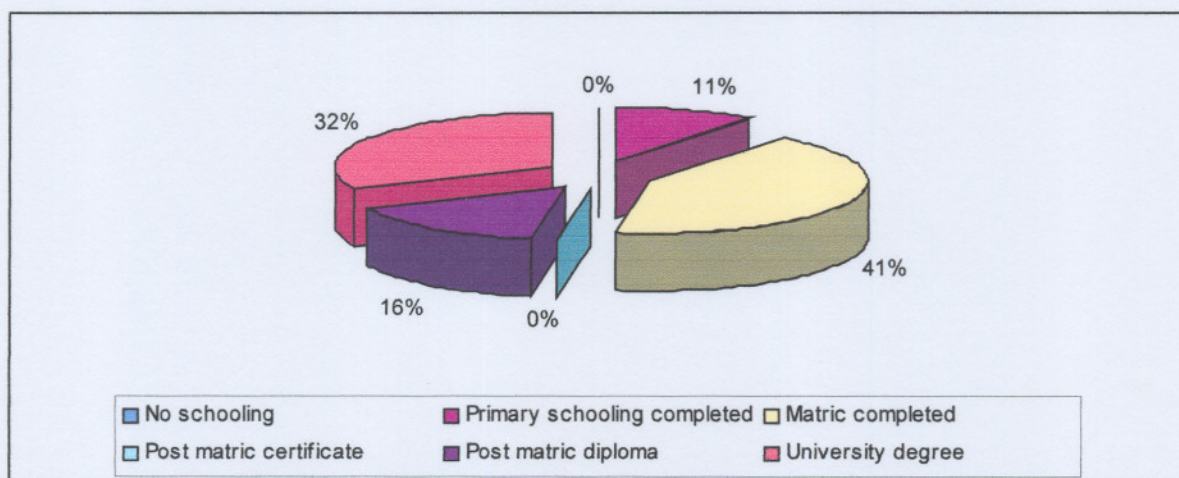
Whites dominate businesses in the area (53%), as indicated in figure 4.4, although there are a minority in the region. Blacks are second at 42% and there are no Coloured entrepreneurs reported in the region. The involvement of Indians and Asians is very minimal; they only form 5% of entrepreneurs in the region.

4.5.2.1.4 Level of education

Purpose: To determine the level of academic education amongst entrepreneurs in the region.

Results: The results of the entrepreneurs' education levels are graphically presented in figure 4.5.

Figure 4.5 – Education levels



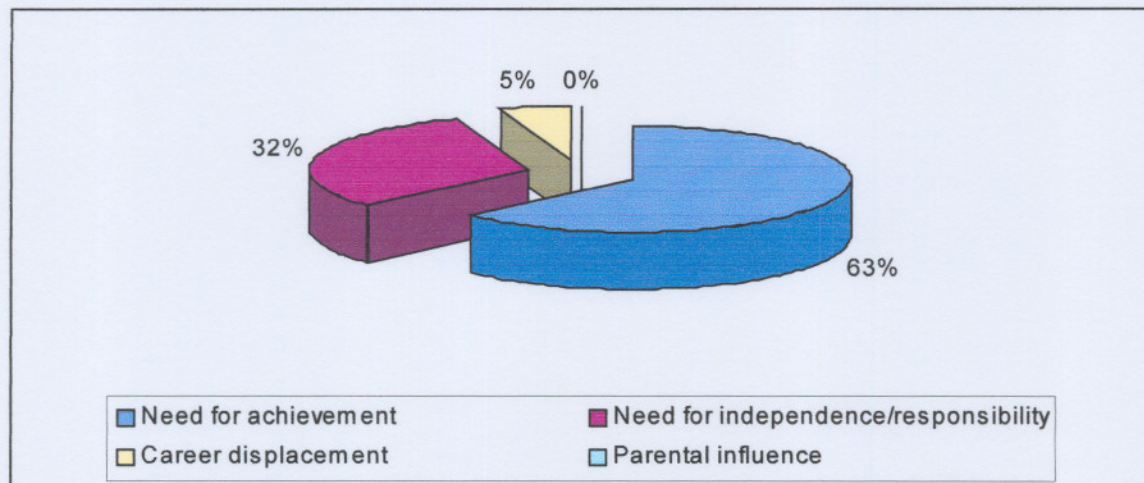
Discussion: It is interesting to observe that people with matric (41%), as shown in figure 4.5, operate the majority of businesses. Entrepreneurs with degrees, who form 32% of the respondents, closely follow them. Diploma graduates only form 16%, and Primary school leavers form 11% of respondents.

4.5.2.1.5 Reasons for being in business

Purpose: To discover the motivating forces that lead to entrepreneurs' involvement in business.

Results: The factors behind entrepreneurs' involvement in business graphically presented in figure 4.6.

Figure 4.6 – reasons for being in business



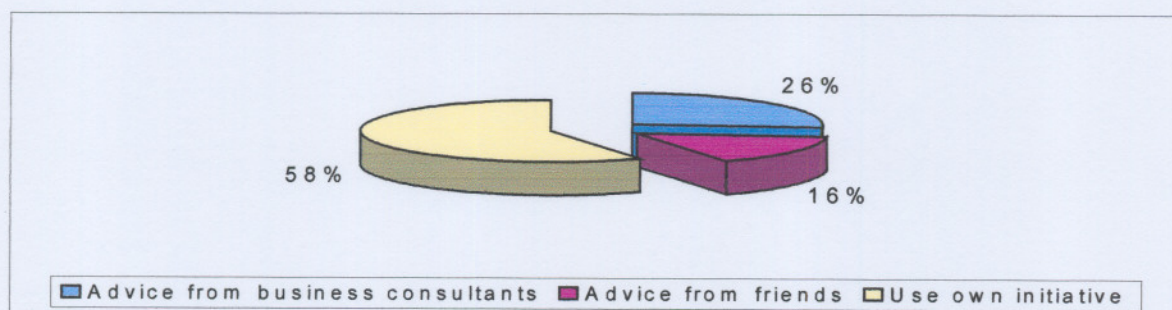
Discussion: The majority of entrepreneurs in the region are driven by the desire for achievement (63%), as indicated in figure 4.6. The second driving factor is a need for independence and responsibility (32%). Very few entrepreneurs are forced into business by career displacement (5%). This finding shows that entrepreneurs are highly ambitious people, against a lot of obstacles they thrive to realise their dreams.

4.5.2.1.6 Problem solving

Purpose: To investigate the different ways entrepreneurs use to solve business related problems.

Results: The ways in which the entrepreneurs resolve business problems are graphically presented in figure 4.7.

Figure 4.7 – Problem solving



Discussion: The majority of entrepreneurs, 58%, in the region use their own initiative to solve business problems. Figure 4.7 also indicates that only 26% of entrepreneurs consult with friends and 16% use consultants. The success of the entrepreneur is dependent on the decisions they make especially strategic ones.

4.5.2.2 Businesses in the region

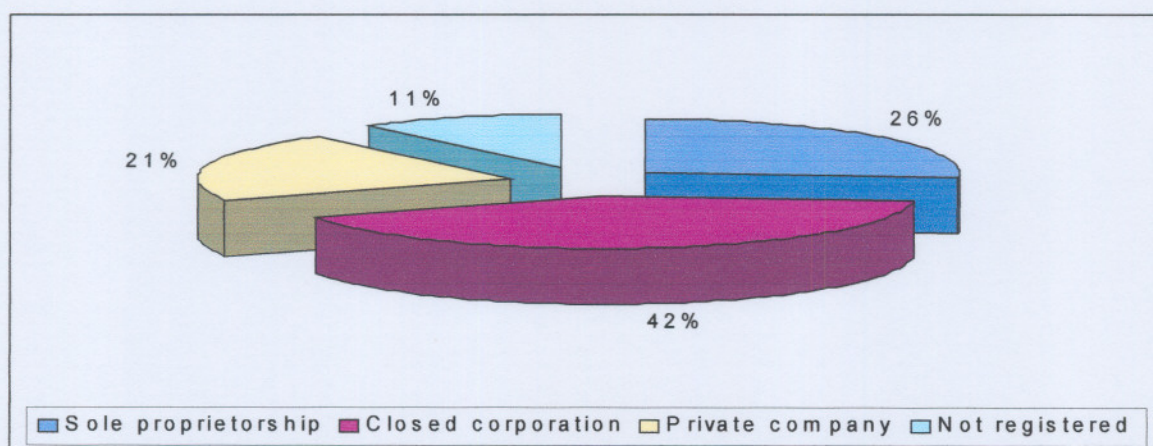
In this part of the questionnaire, focus is on establishing the type and size of businesses, different forms of businesses and the number of people employed.

4.5.2.2.1 Type of businesses

Purpose: To determine the registration status of businesses that operate in the region.

Results: The types of businesses operational in Ngwathe are graphically presented in figure 4.8.

Figure 4.8 – Types of businesses in Ngwathe



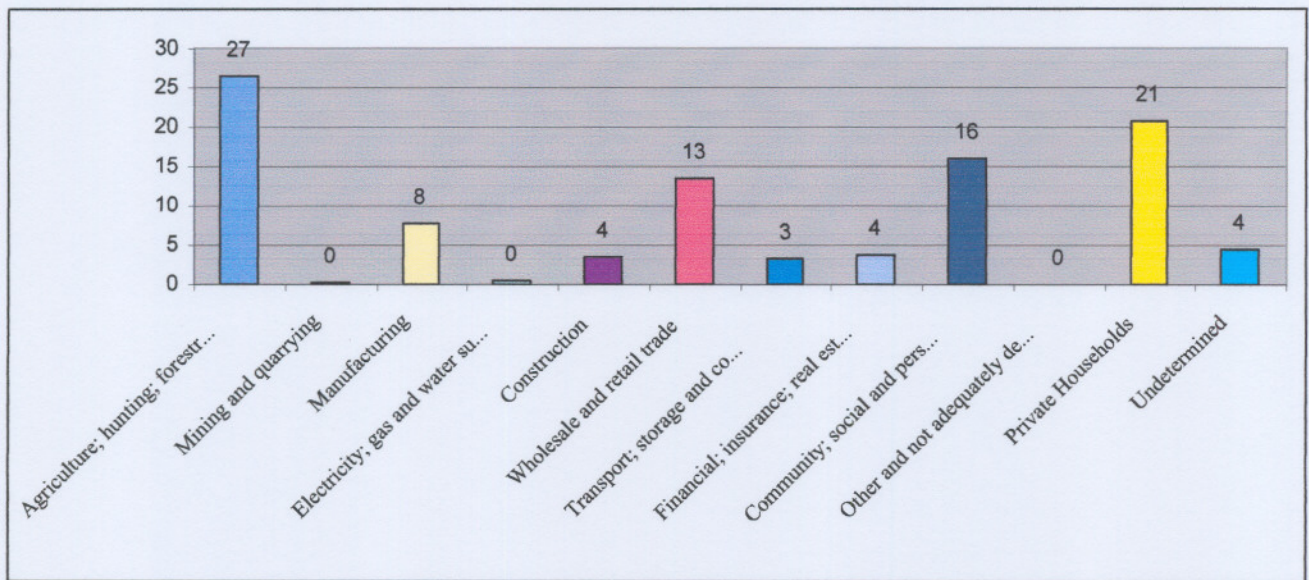
Discussion: The majority of businesses, 42%, are registered as closed corporations and 26% as sole proprietorships. The sole proprietorship status cannot be regarded as accurate, because according to the author's observations it seemed an obvious choice for unregistered businesses. It is however very interesting to note that 21% of the businesses are registered as private companies. There were no public companies recorded during the survey.

4.5.2.2.2 Forms of businesses

Purpose: To establish the industry activity in the region.

Results: The industries within which the businesses in the region fall are graphically presented in figure 4.9.

Figure 4.9 – Industry activity



Source: www.statssa.co.gov (census, 2001)

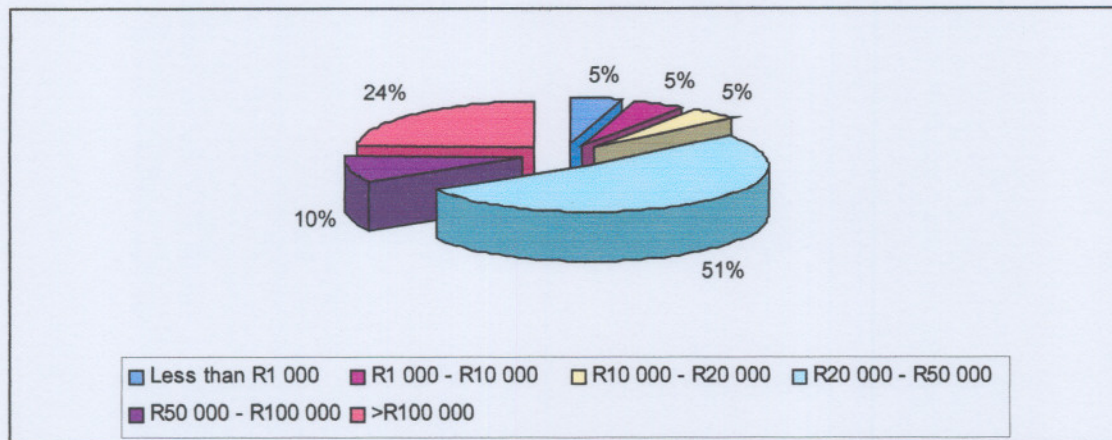
Discussion: As indicated in figure 4.9, 27% of the employed people are in the Agricultural sector, 21% are in private households, 16% are in community services and 13% are in the wholesale and retail. Manufacturing accounts for 8% of the jobs and the construction sector for 4%.

4.5.2.2.3 Monthly turnover

Purpose: To establish the monthly turnover of businesses in the region.

Results: The monthly turn over of businesses is graphically presented in figure 4.10.

Figure 4.10 – Monthly turnover



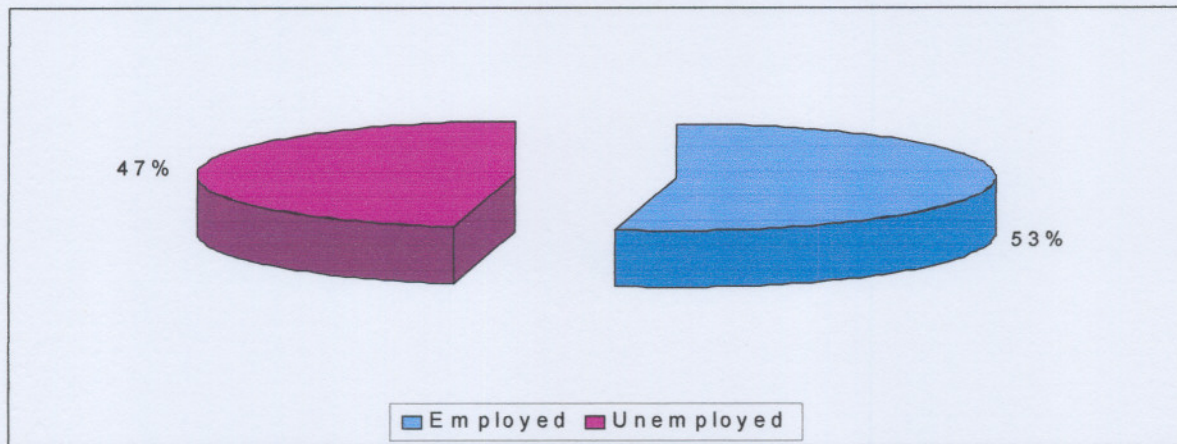
Discussion: The majority of businesses, 51%, in the area generate a monthly income of between R20 000 and R50 000 as seen in figure 4.10. Only 24% of businesses generate monthly incomes greater than R100 000. 10% of businesses generate between R50 000 and R100 000. There is 5% of businesses that can be assumed to be for survival which generate less than R1 000 and between R1 000 and R10 000 per month.

4.5.2.2.4 Job creation

Purpose: To determine what value the businesses are adding, in terms of employment.

Results: The employment status of the region as determined by the census results of 2001 is graphically presented in figure 4.11.

Figure 4.11 – Employment status



Source: www.statssa.gov (census 2001)

Discussion: The unemployment rate in the region is 47%, which is very high. It should be noted that the percentage was calculated from the economically active population.

4.5.2.3 Resources

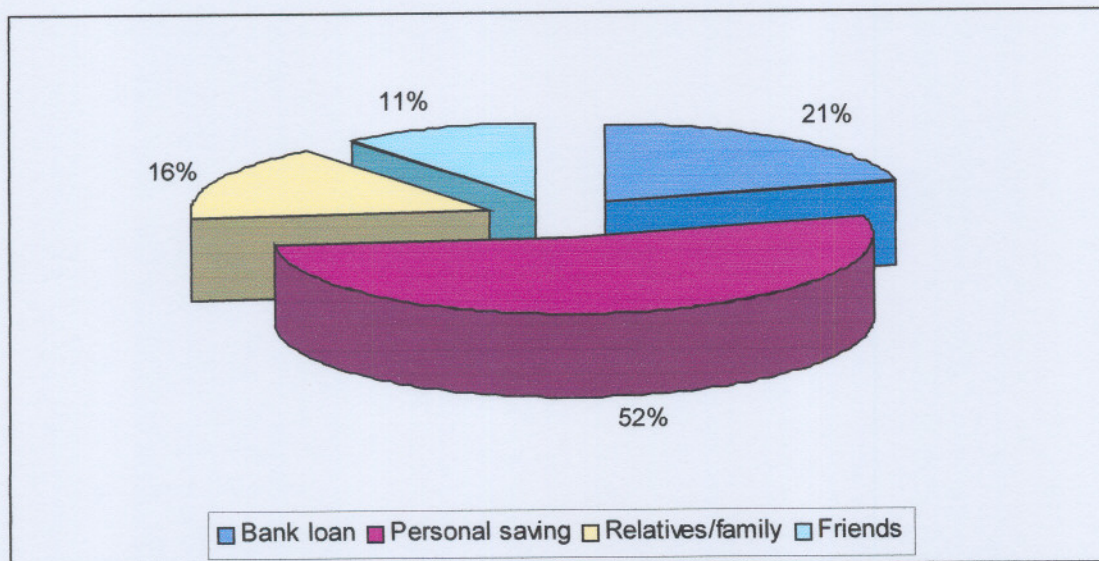
The resources part of the questionnaire is aimed at investigating the availability and use of finance, infrastructure and technology.

4.5.2.3.1 Start-up capital

Purpose: To establish the sources of finance used by entrepreneurs for starting-up their businesses.

Results: Sources of finance as used by the region's entrepreneurs are graphically presented in figure 4.12.

Figure 4.12 – Financial sources



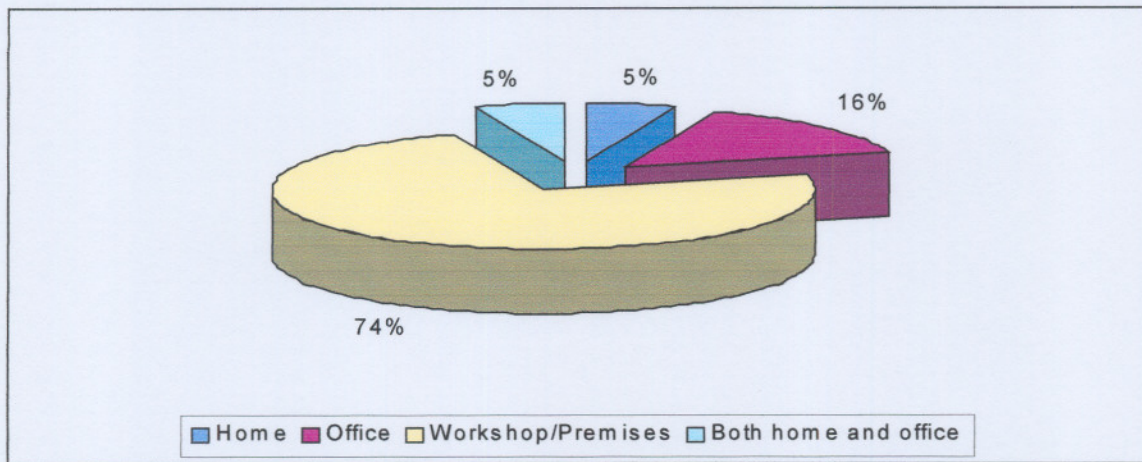
Discussion: A lot of entrepreneurs in the area, 52%, used their own savings for starting up. The capital used range from pension funds, policies and investments. Figure 4.12 further illustrates that bank loans were used by 21% of entrepreneurs and very interesting point is that the majority of the loans were acquired for personal use, in other words not for funding of businesses. Family and relative funding was used by 16% of the businesses, and 11% used money borrowed from friends.

4.5.2.3.2 Business premises

Purpose: To determine the kind of premises used for trading in the region.

Results: The types of premises used for business are graphically presented in figure 4.13.

Figure 4.13 – Business premises



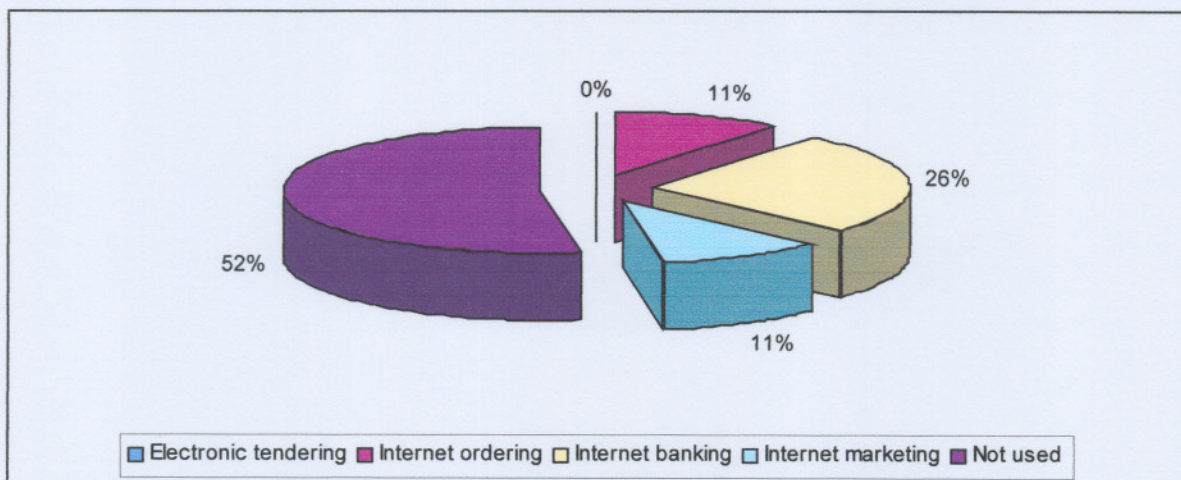
Discussion: It is interesting to find that the majority of entrepreneurs, 74%, in the region operate from business premises or workshops, as indicated in figure 4.13. Only 16% operate from offices, this indicates few businesses that are office type, like consulting and accounting services. A small number of entrepreneurs use both home and office for business, forming only 5% of the respondents. Only 5% of the respondents operate their businesses from home.

4.5.2.3.3 Use of electronic services

Purpose: To investigate the level of electronic service usage amongst entrepreneurs in the region.

Results: The levels of electronic service usage are graphically presented in figure 4.14.

Figure 4.14 – Use of electronic services



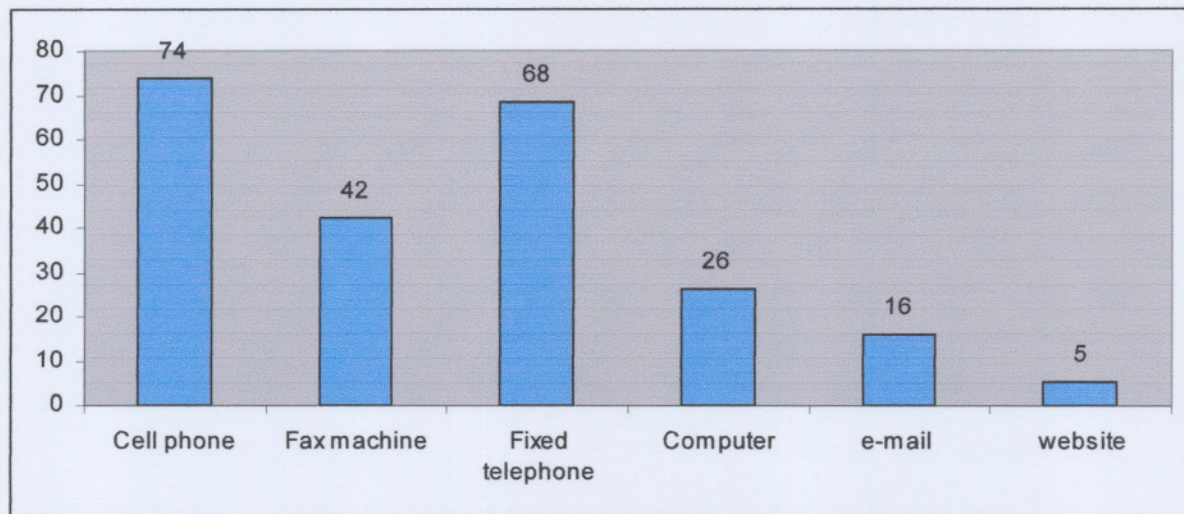
Discussion: The majority of businesses, 52%, as indicated on figure 4.14, do not use electronic facilities for conducting business. Only 26% of the respondents use internet banking. Both internet banking and ordering services are used by only 11% of the respondents.

4.5.2.3.4 Communication and marketing tools

Purpose: To establish the kind of communication tools used by entrepreneurs in the region.

Results: The types of communication tools used by entrepreneurs are graphically presented in figure 4.15.

Figure 4.15 – Communication and marketing tools



Discussion: The findings are that 26% of businesses do use computers, and 16% have e-mail addresses and 5% have a website, as illustrated in figure 4.15. A lot of businesses still rely on fax machines, which is more used than computers. 42% of businesses use fax machines. The number of entrepreneurs who use cell phones is high, 74% of the respondents uses cell phones for business purposes.

4.5.2.4 Support/co-operative services

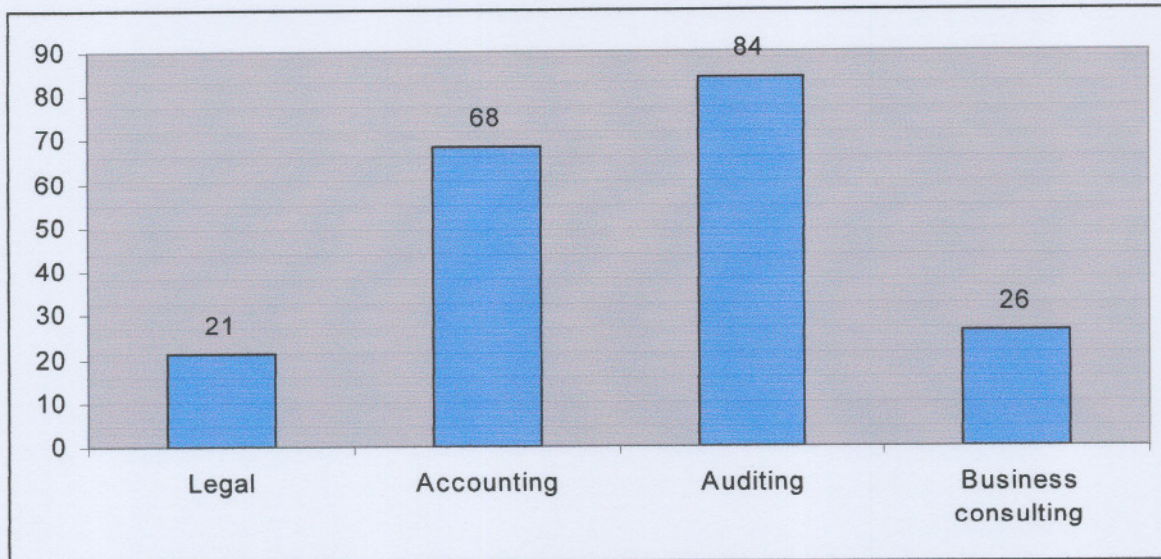
The supportive and co-operative part of the questionnaire investigates the use of support services and awareness of support and co-operative agencies.

4.5.2.4.1 Use of external services

Purpose: To determine the kind of external services used by the entrepreneurs in the region.

Results: The kind of external services used by entrepreneurs are graphically presented in figure 4.16.

Figure 4.16 – Use of external services



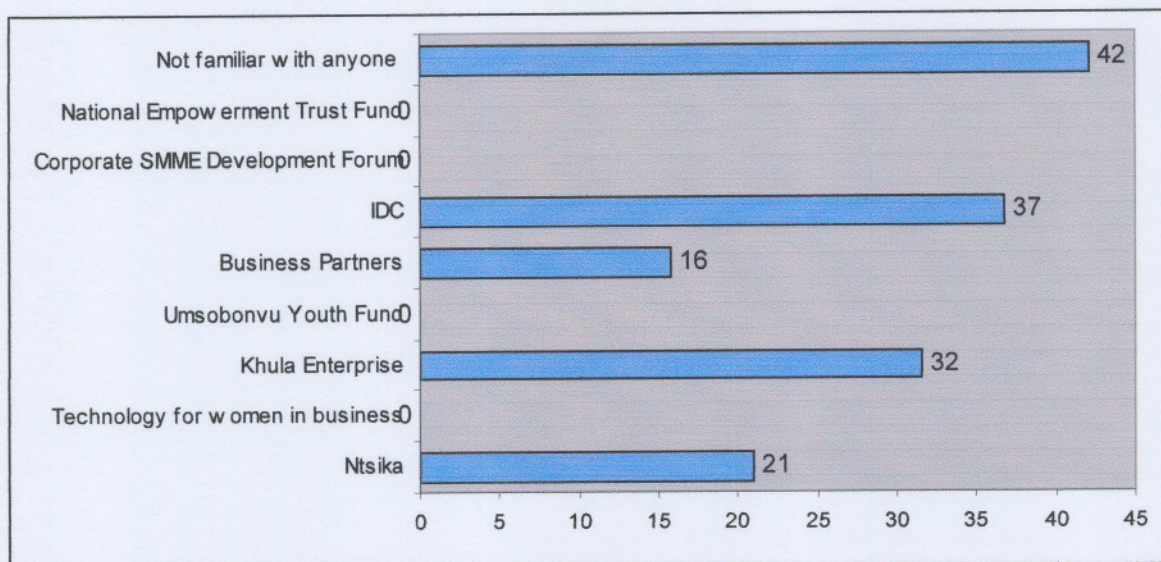
Discussion: According to figure 4.16 an overwhelming number of businesses use auditing as well as accounting services, 84% and 68% respectively. Few businesses (26%) do make use of business consulting services. Legal services are not commonly used, with only 21% of respondents using them.

4.5.2.4.2 Awareness of support and co-operative services

Purpose: To establish the awareness levels about support and co-operative agencies amongst entrepreneurs in the region.

Results: The level of awareness of support and co-operative agencies graphically presented in figure 4.17.

Figure 4.17 – Support agencies



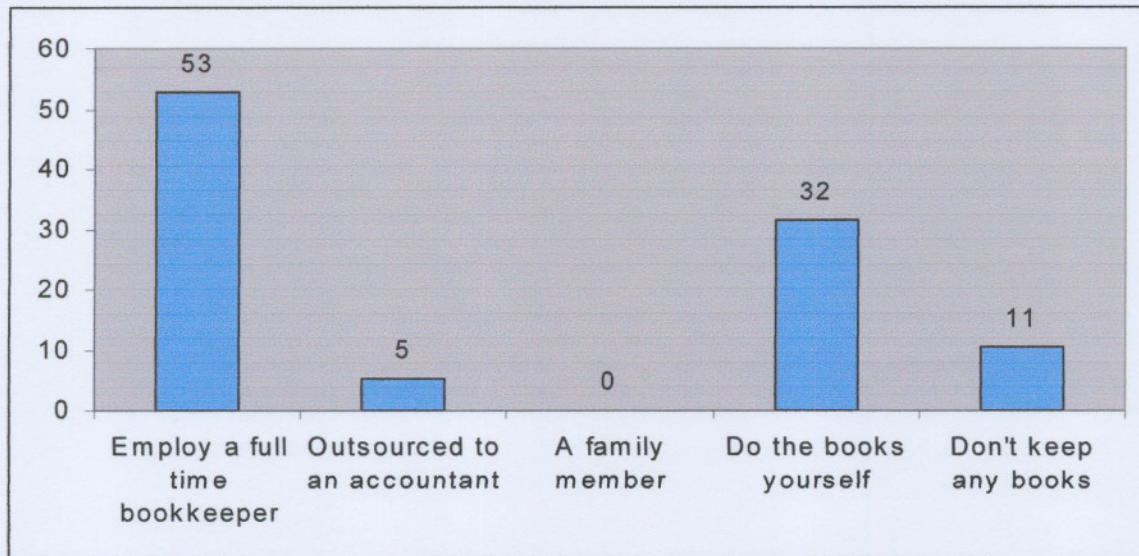
Discussion: The majority of entrepreneurs (42%) are not aware of the support and co-operative agencies listed in figure 4.17. The Industrial Development Corporation (IDC) is the highest recognised government agency by the respondents, with 37% of entrepreneurs recognizing this agency. Khula is recognised by 32% of entrepreneurs. Ntsika is recognised by 21% of the respondents. Business Partners is only recognised by 16% of the respondents. The respondents do not know the following agencies: Technology for Women in Business, Umsobomvu Youth Fund, Corporate SMME development forum, and National Empowerment Trust Fund.

4.5.2.4.3 Use of accounting services

Purpose: To determine the level of accounting services usage by entrepreneurs in the region.

Results: The level of accounting service usage by entrepreneurs is graphically presented in figure 4.18.

Figure 4.18 – Use of accounting services



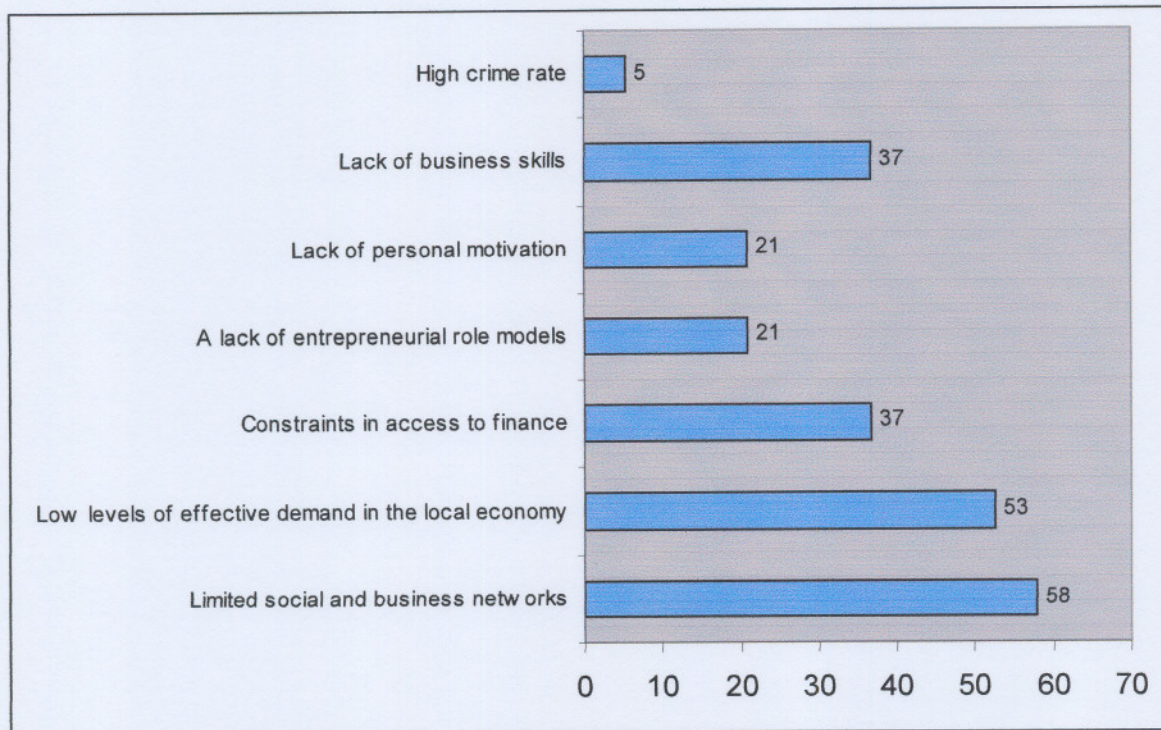
Discussion: It is encouraging to realize that 53% of the respondents use the services of a full time bookkeeper as depicted by figure 4.18. Entrepreneurs who prefer to do their own books form 32% of the respondents. Entrepreneurs who do not keep formal books and records form 11% of respondents. Only 5% of respondents have out-sourced their accounting services.

4.5.2.5 Obstacles to business in the area

Purpose: To get the entrepreneur's opinions on the obstacles for starting and growing towards business in the region.

Results: The main obstacles as given by entrepreneurs are graphically presented in figure 4.19.

Figure 4.19 – Obstacles



Discussion: A majority of entrepreneurs in the region, 58%, believe that the lack of business networks and business facilitation is a limiting factor towards business. 53% of them believe that there are low levels of effective demand in the economy. This can be attributed to the fact that the majority of respondents are in the retail sector, and the poverty levels in this region are high. An interesting find is that only 37% of entrepreneurs believe access to finance is a problem. This can be attributed to the fact that 52% of the respondents used their own savings to start businesses. Lack of business skills is a concern to 37% of the respondents; this is attributed lack of entrepreneurial education in secondary and tertiary institutions in the country.

4.6 SUMMARY

The research findings indicate a low level of business activity in the region. Parys is on the leading edge in terms of business activity and it is also on a growth path. Heilbron is second, although it leads the region in terms of manufacturing. Koppies is third in business activity. The only big employers in Koppies are G&W Base Minerals and Spar supermarket. Vredefort does not have much business activity, with a lot of its labour force being consumed by Parys

because of their closeness. Edenville is certainly the most underdeveloped town in the region. Business activity is very low and unemployment rate very high.

The level of entrepreneurial readiness for the region is low. Infrastructure is one of the biggest problems in attracting business, especially to smaller places in the region. For example, Koppies and Edenville have water supply problems, which will affect business decisions to invest in these towns. There are not enough tarred main roads connecting the towns within the region to promote trade within the region. Natural resources are not explored for tourist attraction purposes. The Dome in Vredefort has potential for tourism attraction. Koppies Dam, in Koppies has potential for tourism attraction.

There is lack of networking between entrepreneurs in the region. There is also lack of collaboration between business and the local government authorities. Except for the mentoring of entrepreneurs working as government contractors there are no programmes for entrepreneurial training in the region.

The quantitative research results indicate that older people who form 47% of entrepreneurs in the region operate the majority of businesses in the region. The results show no youth involvement in business. Women are less active in business in the region, only 21% recorded. Whites dominate the businesses in the area. The majority of businesses in the region are run by entrepreneurs with matric, closely followed by entrepreneurs with degrees. It is interesting to note that 63% of entrepreneurs in the region are motivated by the need to achieve in doing business.

The majority of businesses, 48%, operating in the region are closed corporations, with only 21% registered as private companies. It is a great concern that the majority of businesses, 58%, generate a monthly turnover of between R20 000 and R50 000 in the region, with only 26% generating more than R100 000. The majority of companies, 79%, in the region offer full time employment, which is good for the region.

Most of the entrepreneurs used their own money to finance their businesses. The majority of entrepreneurs in the region use business premises. The low level of using technological and electronic services is a real cause for concern in modern times. The majority of entrepreneurs in the region do not use internet services for marketing and doing business. The use of

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accounting services amongst the entrepreneurs is common practice, with 84% of them using these services. A worrying factor is that 42% of the entrepreneurs in the region are not aware of the function of any of the government support agencies. Most entrepreneurs believe that business networking and lack of availability of business information is a major impediment towards the growth of business in the region. They also sited low levels of demand in the local economy as a concern.

CHAPTER 5

CONCLUSIONS AND RECOMMENDED STRATEGY

5.1 INTRODUCTION

As depicted in the empirical study the region's entrepreneurial development and business activity are low. The infrastructure does not appeal to investors. There are also no collaborative efforts between business and local government. The current status will have to be changed to ensure economic growth and development. The region needs a well defined route to economic growth and sustainability of businesses.

In this chapter, conclusions are drawn on the empirical study and based on these findings an entrepreneurial development strategy for the Ngwathe region is outlined. The empirical study conclusions will be analysed in line with the objectives of the study. The recommended entrepreneurial strategy will be drafted with these factors in mind: current business developments, the potential of the region, natural resources in the region, and the characteristics of the entrepreneurs in the region.

5.2 CONCLUSIONS

Based on the empirical study results, a set of conclusions has been made. These conclusions are outlined in sub-sections.

5.2.1 Low levels of business activity

From the results, it is clear that there isn't enough business activity in the region. The number of businesses that create employment and add value are too few. The rate of start-ups in the smaller towns is very close to zero. The only town with growing business activity is Parys. The smallest towns within the region, Koppies, Edenville and Vredefort are the hardest hit. The low level of business activity is also reflected on the high unemployment rates in the region.

As seen on the Global Competitiveness Monitor (GEM), the rate of business activity is the measure of a country's entrepreneurial activity. This shows that the region is not contributing positively towards entrepreneurial development in the country.

5.2.2 Poor basic infrastructure

Failure to supply proper infrastructure has a direct influence on business and the rate of start-ups and new companies forming. Parys and Heilbron have better and developed basic infrastructure. The roads are in a better condition, industrial sites are in place. The other towns need some cash injection to boost their basic infrastructure. According to the literature review, poor infrastructure is a serious impediment to a successful local economic development strategy. Smart towns position themselves well by developing their infrastructure.

5.2.2.1 Underdeveloped technological infrastructure

From the survey results it is evident that there aren't enough technological infrastructures in the region. This is reflected by the low level of usage of computers and internet services by entrepreneurs in the region. Technological infrastructure refers to internet cafés, computer software and hardware companies and Information Technology (IT) consultants. In the modern world of dot-coms it is a necessity to market one's business through the internet, do shopping on the net, be in contact with your client through e-mail, and buy stock online.

5.2.3 Lack entrepreneurial development

The region does not have an entrepreneurial development strategy. Most entrepreneurs in the region operate in isolation, with little if any support from each other. Training initiatives to empower small and medium size business owners are not in place. There are no non-governmental organisations (NGO's) looking at the interests of entrepreneurs. There are no business network organisations that the author came across during the survey that are for black people in the region. A few, white member business organisations are existent in the region.

Entrepreneurial support forms a very important part of the entrepreneurial process. Without proper support the entrepreneurial process is hindered, leading to slow growth and low start-up rates. In this ever changing business world, entrepreneurs need skills that will empower them to be globally competitive. In collaborative efforts, entrepreneurs share knowledge, the know-how and they are enriched with experiences.

5.2.4 Entrepreneurial leadership

There is strong mix of entrepreneurs in the region, who the author believes can make a difference if they collaborated more with the government and amongst themselves. These entrepreneurs could be used in mentoring of small and emerging entrepreneurs. Their experience in business could be used to drive entrepreneurial development initiatives.

5.2.5 Lack of entrepreneurial culture

The culture of entrepreneurship in the region is low. People do not explore opportunities or lack innovation in term of creating opportunities. There is a lack of innovative business ideas that are reflective of the resource offerings of the region. For example, people from Gauteng drive to the region to fetch grass, which is used for construction of thatch roofing. There are lots of commercial farming initiatives that could be explored. The people from this region are also rich in indigenous African artefacts.

An entrepreneurial culture is implemented through training and mentoring. New entrepreneurs can be taught business skills, shown how to distinguish between an idea and an opportunity. They can learn how to manage businesses effectively. If entrepreneurs are given the status they deserve in the community, other people would recognise them as role models.

5.2.6 Low levels of youth involvement in business

There is a considerably low level of youth involvement in business in the region. This should be a point for concern because young entrepreneurs are the ones that are more creative and innovative. They are the ones time should be involved in building a better region for our future generations. One of the contributing factors to this state of affairs could be due to the fact that the skilled youth of the region end up settling in other parts of the country. Their

move is influenced by lack of big businesses that offers employment, especially to professionals in the region.

5.2.7 A good mix of entrepreneurs

The region has a good mix of entrepreneurs. The entrepreneurs in the region show good qualities and are committed. They display a great deal of the need to achieve and prosper. They make use of use of accounting, legal and auditing services to a satisfactory level. The whites are still dominant in terms of business ownership. The education levels are fairly distributed.

5.2.8 Not enough big business in the region

The value that businesses add to the economy of the region is dependent on the business size and the number of people it employs. There isn't enough value adding businesses in the region. The majority of businesses do not employ more than 10 people. The majority of businesses only generate a monthly income of between R20 000 and R50 000.

From the literature review, it is evident that the level of business activity influences the economic growth rate. The process is a cycle; entrepreneurial development promotes growth, with growth in return stimulating entrepreneurial activity as new opportunities surface.

5.2.9 Lack of knowledge about support agencies

There is a very low level of awareness about government support and cooperative services agents by the Ngwathe entrepreneurs. This low level of awareness can be attributed to a lot of things. It can be because these agencies are not reachable, because they only have offices in big towns. It can be due to the fact that these agencies are not marketing their services well. Entrepreneurs are normally very busy people, they might not have time to listen to radio or watch television. The best way to reach them is by workshops and business networks. The other way is by having offices that are accessible to all areas and not only big cities.

5.3 RECOMMENDED STRATEGY

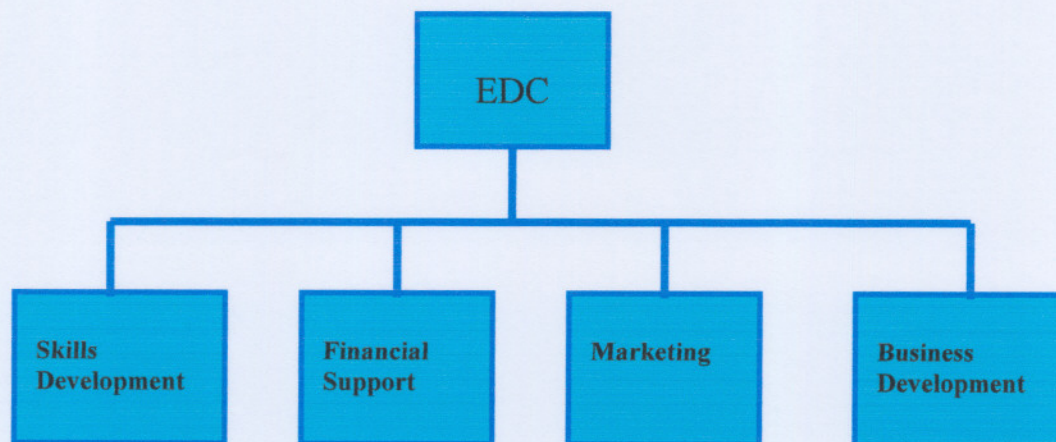
Entrepreneurs can play an important role in rural development. The challenge facing Ngwathe is the adoption of strategies and policies that promote entrepreneurship, the rapid growth, the rapid growth of new and innovative businesses. It has been proven in the literature review that entrepreneurship leads to economic growth. It is in this light that the author proposes an entrepreneurial strategy for the Ngwathe region.

The entrepreneurial strategy for Ngwathe will be known as 'Ngwathe Entrepreneurship Development Strategy'. The implementation of the strategy will be carried out by the Ngwathe Pioneers Development Forum's (NDPF), Entrepreneurship Development Centre (EDC). The offices of NPDP are based Koppies.

5.3.1 EDC Structure

The organisational structure for EDC is presented in figure 5.1.

Figure 5.1 – EDC structure



As indicated above the key performance areas for EDC will be skills development, financial support, marketing and business development.

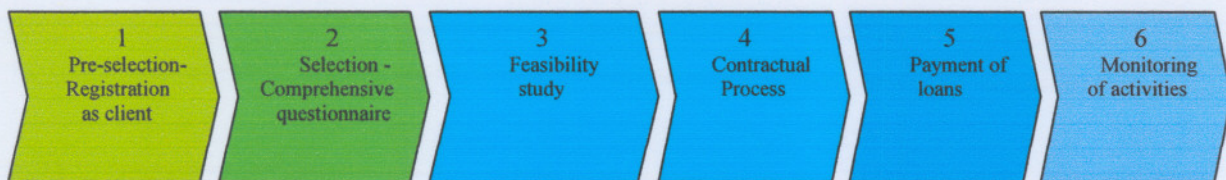
5.3.1.1 Skills development

Skills development will focus on the entrepreneurial skills and on building skills capacity in all different fields. The training provided will be needs based, of high quality, modular and outcome based. Training will be offered through day and evening classes. The training will be facilitated through a face-to-face delivery channel in order to cater for questions and interaction. A well-furnished training centre will be built.

5.3.1.2 Financial support

Financial support will be facilitated both in-house and from external sources. EDC will run its own micro finance scheme, EDC Micro Finance, which will finance businesses requiring capital of between R1, 000 and R20, 000. The funds for the in-house EDC Micro Finance will be acquired through donor funding. A well-defined process is outlined in figure 5.3 on how to acquire financial support through EDC. The process is applicable to micro lenders and other lenders who use external funding.

Figure 5.2 – Financing process



Source: adopted and modified (Oosthuizen, 2003:83)

Phase 1

A pre-selection phase will involve the screening of the idea and registration of the client. During this stage the applicant's debt and liability history will be verified. If the applicant is successful during this stage, the process continues to phase two.

Phase 2

The selection stage will involve a comprehensive questionnaire, which will assess the opportunity. This will be a screening process where the viability of the opportunity is done. At this stage the following aspects are investigated: the market size, the need, competition, barriers of entry, the team, core competencies and core capabilities.

Phase 3

The feasibility study will involve market research and drafting of business plans. Guided by the business plan the consultant will do a market research, draft a marketing plan, do financial forecasts, and a SWOT analysis. The completion of the business plan will determine the viability of the project.

Phase 4

During the contractual stage, EDC will sign a legal agreement with the client for finance conditions. A set of standards will be drafted by EDC for a particular project. The standards will guide the infrastructure, resources, procedures, management practices and financial management that are to be in place. Businesses financed through EDC will enter into a mentorship agreement with EDC for a period that is determined by the breakeven point.

Phase 5

During the payment stage, money will be released in stages as agreed by both parties.

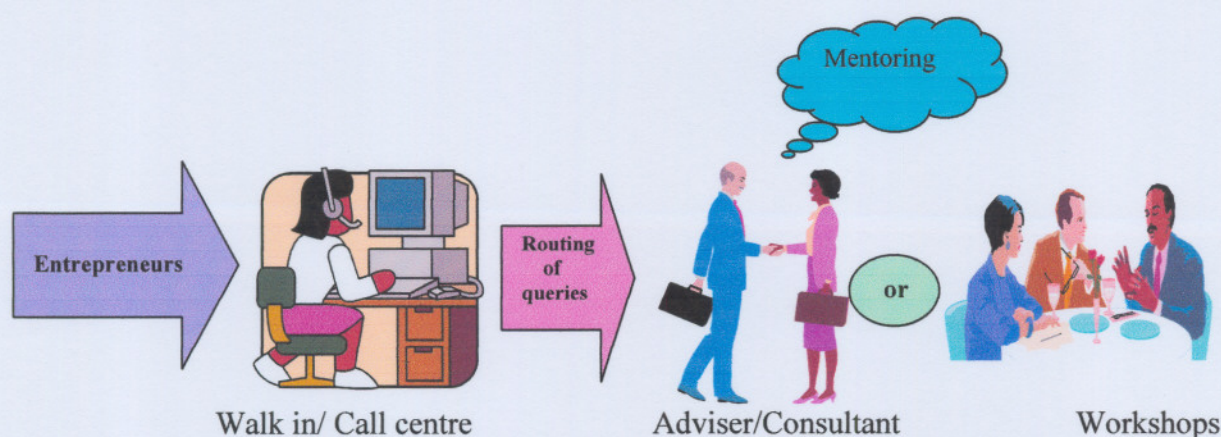
Phase 6

The performance of the business will be monitored and free advice will be provided by an EDC official. The performance will be monitored based on the agreement outlined during phase four.

5.3.1.3 Business development support

Business development support will be offered to ensure long term sustainability of businesses in the region. Businesses will be provided with services that will increase operational capacity, polish management skills, improve cash flows, and provide access to information. The different entrepreneurial resources and needs will be addressed. This department will ensure that there is a database of all service providers required by businesses, including government agencies. EDC will use its consultants and external consultants/service providers.

Figure 5.3 – Business development support model



The functioning of the business development centre is outlined in figure 5.3. Entrepreneurs will place their questions either by walking in or by calling the business development centre. At the centre, facilitators will assist them. The different queries will be passed onto advisers and consultants. Workshops will be arranged to address issues that are common.

5.3.1.4 Marketing

The marketing department will undertake all marketing initiatives that are promoting entrepreneurship in the Ngwathe region. The department's prime function will be to market the Entrepreneurial Development Centre as an economic and entrepreneurial development driver in the region. Training in marketing, communication and export will be done by this department. The department will also provide marketing services to businesses that are supported by EDC. Marketing services will be done for business clusters.

In order to get the necessary attention that is needed, EDC will have to market itself. People in the region should be aware of the existence of EDC. A marketing mix for the promotion of the EDC will comprise of advertising and public relations.

5.3.1.4.1 Marketing mix

Advertising:

- ◆ Print media: Full colour adverts are to be placed in regional newspapers, and business magazines. One billboard will be placed at the entrance of each town.
- ◆ Internet: A well developed website, with all service offerings, will be maintained. The web address will be 'www.ngwathepdf.co.org'.

Public relations:

- ◆ 'Ngwathe Business News' is the name of the newsletter that will be published quarterly. The newsletter will feature current affairs, economic trends, success stories and business opportunities. An electronic version of the newsletter will be available on the website.
- ◆ A Public Relations Officer will feature on local business meeting, on radio stations and in community functions to promote EDC.

5.3.2 Ngwathe Entrepreneurship Development Strategy

Vision:

To build an entrepreneurial region within the next five years.

Mission:

The Entrepreneurial Development Centre will offer entrepreneurial support through:

- ◆ entrepreneurial skills development;

- ◆ promotion of business networks;
- ◆ business development; and
- ◆ infrastructure development.

The purpose of the Ngwathe Entrepreneurship Development Strategy is to offer entrepreneurial support by fulfilling the following goals:

5.3.2.1 Goal 1 – to provide entrepreneurial skills training

The purpose of skills training is to empowering entrepreneurs to be able to do things by themselves is more beneficial than providing the services to them. The strategies to provide entrepreneurial skills will be achieved through training modules as indicated in table 5.1.

Table 5.1 – Strategies for achieving Goal 1

Strategy	Actions/Modules	Responsibility
1.1 Offer marketing training	Business plans. Customer service. Sales management. Distribution management. Product management. Marketing plans.	EDC Marketing
1.2 Offer finance training	Bookkeeping. Cash flow management. Capital budgeting.	EDC Finance
1.3 Offer business operations training	Inventory control. Quality control. Purchasing. Production scheduling.	EDC Business Development
1.4 Offer administrative training	Project management. Human resource management. Computer skills. Decision making	EDC Business Development

5.3.2.2 Goal 2 – to provide support to all businesses

The provision of support to businesses in the Ngwathe region will ensure that they increase operational capacity, they survive for long, they are competitive and they are efficient. The strategies will be achieved by provision of services by both the NPDP's and private consultants' efforts. The strategies are outlined in table 5.2.

Table 5.2 – Strategies for achieving Goal 2

2.1 Provide business management support	Accounting and auditing services. Tax consulting. Sub-contracting. Business plan preparation. Registration of companies. Conduct feasibility studies. Export plans, export finance and export regulations	EDC Consultants
2.2 Provide marketing support	Liaise with government agencies. Identifying business opportunities. Promotion of local products and services. Marketing campaigns.	EDC Marketing
2.3 Provide HR development support	Offer mentorship and coaching. Policies and procedures. Payroll services.	EDC Business Development Consultants
2.4 Provide business improvement strategies	Re-engineering. Process improvement. Quality management. Competitive assessment. Value chains. Information technology.	EDC Business Development Consultants

5.3.2.3 Goal 3 – to facilitate business networks

Business networks are important for information sharing, skills sharing and knowledge sharing. The strategies outlined in table 5.3 will help facilitate networking and information sharing in the Ngwathe region.

Table 5.3 – Strategies for achieving Goal 3

3.1 Form a unified business chamber (Ngwathe Business Chamber)	Coordinate all business matters in the region. Promote sharing of skills.	EDC Entrepreneurs
3.2 Conduct business workshops	Discuss available opportunities. Discuss matters affecting businesses. Promote networking. Address business queries.	Ngwathe Business Chamber
3.3 Reward entrepreneurs	Host annual awards for entrepreneur of the year in Ngwathe. Publicize success stories in local and national media.	EDC
3.4 Launch a quarterly entrepreneurship Newsletter	Publish current developments. Highlight opportunities. Recognise excellence in business. Promote advertising of businesses. Promote workshops.	EDC Marketing

5.3.2.4 Goal 4 – to build skills capacity

To facilitate entrepreneurship, skills are needed. The region has a low skills level. The education levels are low. There is a need therefore to build skills capacity in areas where skills easily learned. The skills training will be oriented towards the natural resources available in the region. The NPDP will facilitate the building of a training centre with the necessary facilities to build the needed skills in the region. The training centre will be based in Koppies because of its central position. Strategies to build the skills capacity are explored in table 5.4.

Table 5.4 – Strategies for achieving Goal 4

4.1 Provide manufacturing skills	Offer Welding training. Chemicals processing training. Carpentry training.	EDC's training centre
4.2 Provide farming skills	Vegetables, fruit and crop management short courses.	Free State College of Agriculture
4.3 Provide agri-processing skills	Milk processing. Cheese processing. Butter processing. Juice processing. Different crops processing.	EDC's training centre
4.4 Provide arts and crafts training	Bearding training Wood craft training Art training Traditional crafts training Wire works training	EDC's training centre

5.3.2.5 Goal 5 – to facilitate venture capital

There is a need to make finance more accessible to entrepreneurs in the region. This will be done by NPDP in collaboration with government departments. Ways of achieving the facilitation of finance are given in table 5.5.

Table 5.5 – Strategies for achieving Goal 5

5.1 Provide micro credit	Offer revolving loans of between R1,000 to R20,000.	EDC Micro Finance
5.2 Coordinate access to finance	Work with finance agencies. Work with collateral agencies. Form a network of Business Angels	EDC Finance

5.3.2.6 Goal 6 – to improve infrastructural support

There is a need to improve infrastructure to facilitate economic development and attract foreign investors into the region. Table 5.6 gives a clear direction of how infrastructure will be improved.

Table 5.6 – Strategies for achieving Goal 6.

6.1 Improve road conditions	Build tarred roads between Heilbron, Koppies and Edenville. Build a tarred road between Koppies and Vredefort.	Local government & private sector
6.2 Provide transport services	Implement taxis commuting between Heilbron and Koppies, Edenville and Koppies, Koppies and Vredefort	EDC /Local government
6.3 Provide IT/computer services in each town	Internet service. Photocopying services. Business card services. Hardware and software services. Fax services.	EDC Service Providers
6.4 Provide buildings for business	Build shelters for township hawkers. Provide buildings on rental terms. Provide buildings on long term lease.	EDC, Local government & Private sector
6.5 Improve water supply	Provide adequate water to Edenville and Koppies	Local government and Private sector

5.3.2.7 Goal 7 – to form business clusters

Business clusters are needed in the region for fast tracking businesses, offering business support, sharing of skills and sharing of services. The furniture clusters should be in the form of local clusters. Businesses operating within this cluster will share premises. They will share

fax, photocopying, internet, marketing, consulting, accounting, bookkeeping and other business support services. The arts and crafts and agri-processing clusters should be in the form of local market clusters. The businesses forming this kind of cluster are to offer similar products, and they are to be close to each other (concentrated in one area). Customers can get similar items in one place and can compare prices. The strategies towards successful business clusters are mentioned in table 5.7.

Table 5.7 – Strategies for achieving Goal 7

7.1 Form furniture manufacturing cluster in Heilbron, Koppies and Vredefort	Manufacture wood furniture Manufacture steel furniture Sharing of business support services Sharing of computer and fax services Sharing of administration services	EDC & Private Business
7.2 Form arts and craft clusters in Koppies, Edenville and Vredefort	Make hand crafts Do art work Sharing of business support services Sharing of computer and fax services Sharing of administration services	EDC & Private Business
7.3 Form agri-processing cluster in Koppies	Processing of Mielie rice, samp, snacks and Sorghum Packaging of peanuts, vegetables, bird feeds and animal feeds. Fishing	EDC & Private Business

5.3.2.8 Goal 8 – to set-up Ngwathe towns as centres of consumption

The process of setting up of towns as centres of consumption can be done by promotion of leisure, tourism and recreation facilities (Nel, 2003:6). Strategies to set up Ngwathe towns as centres of consumption are laid out in table 5.8.

Table 5.8 – Strategies for achieving Goal 8.

8.1 Develop resorts	Campaign for infrastructure development around natural resources: Koppies: Koppies Dam. Vredefort: The Dome. Parys: Vaal River.	EDC Local government Private Sector
8.2 Develop a sports centre	Campaign for the development of world class Sport Centre in Edenville. Promote the use of the Centre in the region. Promote the use of the Centre by neighbouring towns and cities.	EDC Local/National government Private Sector
8.3 Promote tourism	Marketing plan for the centres of consumption.	EDC Marketing

5.4 REVIEW OF STUDY OBJECTIVES

5.4.1 Literature study

The objectives of the literature review were to explore entrepreneurial characteristics as defined by different authors, to define entrepreneurship, to review the current entrepreneurial activity in South Africa and to establish the relationship between entrepreneurship and economic growth.

Entrepreneurship was successfully defined as a process that involves innovation, creativity, risk taking, need fulfilment, opportunity, wealth creation and value adding. The different models of entrepreneurship were studied. These models indicated a need for supportive and cooperative environments and an entrepreneurial culture for businesses to succeed. The characteristics of entrepreneurs were reviewed. The literature indicates the core of these characteristics to be commitment and determination, leadership qualities, opportunity

obsession, tolerance of risk, creativity, and motivation to excel. The literature review has proven that there is direct correlation between entrepreneurship and economic growth. It has been proven that where entrepreneurial activity is high, so is economic growth and development.

The performance of South Africa against other countries in terms of entrepreneurial development was successfully reviewed with the help of the GEM report for 2004. The challenges that face South Africa as a developing country were highlighted. The different measurements of entrepreneurial activity were reviewed. The competitiveness of the South Africa amongst other countries in the world was reviewed. The literature showed South Africa's position, with low TEA rates, low start-up, low firm activity and negative attitudes towards entrepreneurship. The competitiveness ranks are shown to be low.

The findings of the literature study were used for the drafting of questionnaires for the empirical study. They were also used as points of reference in the drafting of the Ngwathe Entrepreneurship Development Strategy, which was the main objective of the study.

5.4.2 Empirical study

The objectives of the empirical study were successfully achieved. The objective to get a database of businesses in the region was achieved through the use of secondary data. The empirical study has indicated that there is a very low business activity in the Ngwathe region. The entrepreneurial readiness assessment objective was achieved by means of an open-ended questionnaire. The readiness assessment indicated factors that are affecting entrepreneurial development in the region.

A quantitative questionnaire was drafted to determine the characteristics of entrepreneurs' objective. The questionnaire also covered the kind and type of businesses in the region. The characteristics of entrepreneurs in the region were successfully explored. The empirical study showed the age distribution, race, gender, and reasons for being in business. The other part of the questionnaire explored the size of businesses, number of people employed, kind of industry, use of technology, use of marketing and use of accounting services. Entrepreneurs' opinions on obstacles towards business activity in the region were noted.

The findings of the empirical study have been used as guide lines for the drafting of the Ngwathe Entrepreneurship Development Strategy, which was the main objective of the study. The strategy is guided by the resources, skills, entrepreneurs, businesses, infrastructure and support structures that are available in the region. The strategy seeks to address the limitations and obstacles towards entrepreneurial development in the Ngwathe region.

It can therefore be concluded that all the objectives of the study were successfully met.

5.5 SUMMARY

The current state of affairs with regards to entrepreneurial development is not very satisfactory in the Ngwathe region. The results of the survey show a low level of business activity. The majority of businesses are medium sized, which indicates a need for big business that can lead to more small and medium business start-ups. The infrastructure is also not very conducive towards business development. The poor infrastructure, especially water supply, has contributed to low levels of business activity.

There is a lack of technological infrastructure in the region. This can lead to low levels of productivity and low marketing efforts. The region has a fair amount of good entrepreneurs, who have the courage and desire to succeed. They are however negatively affected by the low levels of entrepreneurial support. A worrying factor is the low levels of young entrepreneurs in the region. Young people are known to be innovative and have positive energies; the region needs innovation and creativity. Support and cooperative agencies are not well known by entrepreneurs operating in the area. This could due to many factors.

An entrepreneurial development strategy has been drafted to address the above concerns about business in the Ngwathe region. The Entrepreneurship Development Strategy will be facilitated the Entrepreneurship Development Centre (EDC), a division of Ngwathe Pioneers Development Forum (NPDF) a Section 21 company. EDC will be divided into four divisions to address different areas of specialty. The divisions are: skills development, financial support, business support, and marketing. The divisions will have different roles in carrying out the strategy.

In implementing the strategy, buy-in from local entrepreneurs, local and provincial government, private sector and service providers is very important. The strategy seeks to address the problem of entrepreneurial skills, by providing the necessary training to entrepreneurs and aspiring entrepreneurs. Through the Business Support division, in collaboration with service providers/consultants, EDC will offer business support to all businesses in the region.

There is a need to build skills capacity in the region. This will be done by EDC with the help of training institutions like the Free State Agricultural School. Part of the strategy is to have an in-house micro lending, EDC Micro Finance, that will offer finance for small start-ups. The finance division will also facilitate application of finance through other financial institutions. Through some help and support from the local government, private business and entrepreneurs the strategy aims to improve the infrastructure in the region.

The last part of the strategy is to facilitate entrepreneurial development by a well-proven method of business clustering. Different clusters for different businesses have been proposed. The clustering process minimizes risk for entrepreneurs and allows them the opportunity to share information, resources, services, customers and knowledge. The Ngwathe towns have to utilize the natural resources that they have. These resources will be used to pull tourists, as the towns are developed to become centres of consumption.

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ADENDUM A

QUALITATIVE RESEARCH QUESTIONNAIRE

COMMUNITY ENTREPRENEURIAL READINESS ASSESMENT

To the respondent:

May you please answer the questions as honestly as possible. The questionnaire is aimed at establishing the readiness for entrepreneurial and economic development in the Ngwathe region. The results of which will be used to draft an entrepreneurial development strategy for the region. This questionnaire forms part of a dissertation by MORATEHI 'MORA' NDLEBE for the MBA degree, at the North West University.

PLEASE RESPOND TO ALL THE QUESTIONS AND STATEMENTS.

THANKS FOR PARTICIPATING, TOGETHER WE CAN MAKE NGWATHE A BETTER PLACE TO LIVE IN!!!!

COMMUNITY ENTREPRENEURIAL READINESS ASSESSMENT

Town assessed : _____

Sources of information

1. Openness to Entrepreneurship:

Is the community open to exploring entrepreneurship as an economic development strategy?

Are there entrepreneurs who can create a new generation of successful businesses?

Are there service providers and community leaders willing to help them achieve
Success?

2. Balancing Business Attraction:

Does the community balance a traditional economic development approach with a focus on local businesses and on energizing entrepreneurs to create and build homegrown enterprises?

3. Entrepreneurship Programs: Has the community had experience with entrepreneurship programs already? Check of any of the following entrepreneurial programs that your community has experience with, either currently or in the past:

Networking infrastructure for entrepreneurs

Mentoring programs for entrepreneurs

Efforts to improve business services for entrepreneurs

Micro-lending or other business financing services

Entrepreneurial training

Business counseling services

Other programs specific to your community

4. Leadership Team:

Can your community create a team that will work on an entrepreneurial strategy?

To be successful, a community needs a core leadership team committed to building and supporting an entrepreneurship program. Margaret Mead once said, *Never forget that a small and committed band of citizens can change the world. Indeed it is the only thing that ever has.*

5. COMMUNITY READINESS FACTORS:

Entrepreneurs do not operate in a vacuum. Their success depends to some extent on the community environment that may support, or in some cases, hinder their ability to grow and prosper. The community's first step in implementing an entrepreneurship program is to assess how well the community currently supports its entrepreneurs. There has been six **readiness factors** identified that can determine whether a community can build a successful

entrepreneurship-based economic development program. These questions can be addressed as part of a focus group of community leaders and residents who have an interest in entrepreneurship.

5.1. Willingness to Invest.

A rural community with 1,000 residents will likely generate a R50 million economy. If your community were a company with a R50 million operation, how much would you invest annually to ensure your competitiveness?

While rural communities can run on volunteers, successful economic development programs need staff and money to support services and programs. The community must be willing to invest in an entrepreneurship program.

6. Beyond the Town Borders: Is your community willing to create partnerships with other area communities to find the human and financial resources to be in the economic development game?

In today's competitive world, small towns must collaborate to create enough size to support effective economic development strategies.

6.1. Readiness factor:

The community is ranked on each *readiness factor* using a 1-5 scale, where 1 is a limited degree of readiness and 5 is a high degree of readiness. This exercise is useful in terms of identifying areas that may need to be strengthened as the community pursues an entrepreneurship development strategy.

Score card

Factor	Not ready			Very ready	
	1	2	3	4	5
Openness to entrepreneurship	1	2	3	4	5
Balancing business attraction	1	2	3	4	5
Entrepreneurship programs	1	2	3	4	5
Leadership team	1	2	3	4	5
Willingness to invest	1	2	3	4	5
Beyond town borders	1	2	3	4	5

Overall Score _____ (circle & sum)

Score assessment

Score	Rating	Readiness	Recommended actions
1-5	Weak score	Little readiness	Capacity building required
6-10	Soft score	Some readiness	Gap filling necessary
11-15	Good score	Readiness present	Build on assets
16-20	Good score	Readiness present	Build on assets
21-25	Strong score	Considerable readiness	Energise your entrepreneurs

ADDENDUM B

QUANTITATIVE RESEARCH QUESTIONNAIRE

To the respondent:

May you please answer the questions as honestly as possible. The questionnaire is aimed at establishing the effectiveness of entrepreneurship in the Ngwathe region and how is it contributing to economic growth in the region. The results of which will be used to draft an entrepreneurial development strategy for the region. This questionnaire forms part of a dissertation by MORATEHI 'MORA' NDLEBE for the MBA degree, at the North West University.

The information contained in the questionnaire is confidential, and the researcher therefore guarantees to treat the information with the highest degree of confidentiality.

PLEASE RESPOND TO ALL THE QUESTIONS AND STATEMENTS.

THANKS FOR PARTICIPATING, MAY YOUR BUSINESS GROW FROM STRENGTH TO STRENGTH.

Quantitative Questionnaire

Please mark with an X

Section A: Entrepreneurial characteristics

No.:	Area:
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1. Age

20 - 30	
30 - 40	
40 - 50	
50 - 60	
> 60	

2. Gender

Male	
Female	

3. Race

Black	
White	
Coloured	
Indian/Asian	

4. What is your highest level of education?

No schooling	
Primary schooling completed	
High school completed	
Matric completed	
Post matric certificate	
Post matric diploma	
University degree	

5. Why are you in business?

The need for achievement	
Desire for responsibility	
Cultural influences	
Career displacement	
Parental influence	
Apprenticeship	

6. How do you solve business related problems?

Advice from business consultants	
Advice from friends	
Use own initiative	

SECTION B: BUSINESSES IN THE REGION

7. What type of a business are you in?

Agriculture	
Cleaning	
Construction	
Education	
Engineering	
Financial and accounting	
Consulting	
Food and beverages	
Health and Welfare	
Electronics and Telecoms	
Insurance	
Legal	
Media, advertising & publishing	

Welding	
Furniture	
Carpentry	
Building and construction	
Other	

Panel Beater	
Motor mechanic	
Upholstery	
Home repairs	
Other	

SECURITY	
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TOURISM AND HOSPITALITY	
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Taxis	
Bus	
Trucks	
Other	

Bottle store	
Tavern	
Butchery	
Café	
General dealer	
Supermarket	
Other	

Hair salon	
Printing	
Pay phones	
Garage	
Other	

Pharmacy	
Dentist	
Surgery	
Lawyer/attorney	
Herbalist	
Other	
.....	

8. What kind of business are you in?

Proprietorship	
Partnership	
Closed corporation	
Private company	
Public company	
Not registered	

9. How many people do you employ?

Full time	
Part time	
Contract	

10. What is your business turnover per month?

Less than R1 000	
R1 000 – R10 000	
R10 000 - R20 000	
R20 000 – R50 000	
R50 000 – R100 000	
> R100 000	

SECTION C: RESOURCES

11. How did you finance your business?

Bank loan	
DTI (Khula)	
UYF	
Friends	
Personal saving	
Relatives/family	
Other	

12. From where do you operate your business?

Home	
Office	
Workshop	
Car	
Both home and office	
Other	

13. Which of these services does your business use?
You may tick more than one item.

Electronic tender information service	
Electronic tender submissions	
Internet ordering	
Internet banking	
Internet marketing/B2B OR B2C	

14. Which of these items do you have?
You may tick more than one item.

Contract Cell phone	
Prepaid cellphone	
Fax machine	
Fixed Telephone	
Computer	
e-mail address	
website	
Cash register	

SECTION D: SUPPORT AND COOPERATIVE ENVIRONEMENT

15. Which external services do you use?
You may tick more than one.

Legal	
Accounting	
Auditing	
Computers	
Courier	
Business consulting	
Government agency	
Other	

16. Which of these support/co-operative bodies are you familiar with?
You may tick more than one.

Ntsika Enterprise Promotion Agency	
Technology for Women in Business	
Khula Enterprise Finance	
Umsobomvu Youth Fund	
SBDC/Business Partners Ltd	
Industrial Development Corporation (IDC)	
Corporate SMME Development Forum (CSDF)	
National Empowerment Fund Trust (NEF)	

17. How do you keep your accounting records?

Employ a full-time bookkeeper	
Outsourced to an accountant	
A family member	
Do the books yourself	
Don't keep any books	

SECTION E: OBSTACLES TOWARDS NEW VENTURES

18. Which of these do you consider as obstacles to business in your area?

Limited social and business networks	
Low levels of effective demand in the local economy	
Constraints in access to finance	
A lack of entrepreneurial role models	
Lack of personal motivation	
High rates of crime	

ADDENDUM C

Business database for the Ngwathe region

Parys	Five antique shops. Five art galleries. 19 restaurants. 37 resorts/B&B's	Absa., FNB. Standard.	Brick & Block. Butterfield bakery. Staycold Pty (Ltd). Omnia Fertilizers.	Pep Stores Fashion Express. Edgars. Exact. Miladys. Truworhs.Mr Price. Ackermans	Schwim's Tyres. Mr Exhaust. Mica Hardware. Geen and Richards. Kotwals Motor Spares. Midas Motor Spares. Old Mutual. PG Glass. Parys Autoglass. Parys Biltong. Parys Scrapyard. Power Drive Wholesalers. Senwes. Silverton Radiators. Smartglass. Supa Quick Auto Centre. Terblanche Transport. Valtra (Pty) Ltd. Vicor Building Hyper.	Spar. Pick n Pay. Shoprite. Discom.
Heilbron		Absa. FNB. Agri-fin. Standard. Agri- Mart.	Pakworks. Packaging. Supa Trading. Tudor Furnitures. Verstex Clothing. Omnia Kunsmis.	Foschini. Pep Stores. Exact.	Heilbron Abattoir. Nissan. Masterreads. Senwes. Lewis Furniture Store. Ellerines.	Spar Mini- market.
Koppies	Paradys Game Lodge and Guest house. Friesland Hotel	Absa. FNB. Standard.	Reno-Vaal Milling.	Exact.	Senwes. Lewis Furniture Store. G & W Base Minerals Mine	Spar Supermarket. Four Square Minimarket.
Vredefort		Absa. Standard.			3 x butcheries.	OK Groceries.
Edenville		Post Bank.			Sernick Cattle Feed	