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USAID/South Africa
Black Entrepreneurship Training Needs Assessment

Prepared for
The United States Agency for International Development/
South Africa

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I. Introduction

Study Aims

The aim of this study is to assist USAID/SA in developing the Entrepreneurship Training component of its Black Private Enterprise Development (BPED) program. The goals of the USAID strategy in South Africa for FY 1991–95 reflect the opportunities presented by current positive political trends in the country by assisting the people of South Africa to:

- a) Increase the productivity of the Black Small Scale Enterprise Sector;
- b) Expand employment opportunities and increase incomes for black South Africans in the Small Scale Enterprise Sector.

The mission believes that USAID has a unique opportunity to assist South Africa to capitalize on those processes of economic reform which have already begun, and which have good potential for success if certain risks and constraints are addressed.

In pursuit of the above goals, the mission is considering actions designed to assist in achieving the following purposes:

- a) To increase the numbers, sizes, and viability of black-owned enterprises operating in the formal and informal sectors of the South African economy;
- b) To increase opportunities for women entrepreneurs to gain access to and participate in SSE development programs;
- c) To increase the capacity of SSE support organizations to meet the needs of black entrepreneurs.

These goals and purposes correspond well with objectives of the DFA Action Plan, which includes:

- a) Improving the management of African economies by increasing the efficiency of the private sector;
- b) Encouraging a healthy environment for private sector growth by strengthening competitive markets; and
- c) Developing the potential for long-term increases in productivity in all sectors.

Methodology

The needs assessment was composed of three phases. The initial phase consisted of a two-week organizational trip by LABAT-ANDERSON HRDA consultants to become familiar with the environment, and also:

- a) To identify an experienced local consulting firm to perform a market survey of training needs of black entrepreneurs;
- b) To identify a local consultant to become part of the assessment team;
- c) To prepare and distribute survey questionnaires to 175 South African training organizations to obtain information about their operations; and
- d) To prepare, and get the mission's approval for a work plan for the team upon its arrival back in South Africa.

During Phase II of the assessment, Consumer Behaviour Ltd., the market research firm selected during phase one, performed a statistically valid training needs survey of 225 formal and 115 informal business operators. The sample also included 62 entrepreneurs who had failed in their attempts to establish businesses.

During Phase III of the assessment, team members met with a wide spectrum of key players involved in black entrepreneurship development, to gain additional information about the training needs of entrepreneurs and the availability of local resources to meet these needs. The team members also attempted during interviews to cross-check the findings of the earlier surveys.

Persons interviewed included staff members of training institutions, private sector support organizations, banks and other financial institutions, voluntary service organizations, consulting firms, accounting firms, development agencies, and donors.

This report is an attempt to provide design information on all facets of black business development, from historical statistics and information on the position of blacks in South Africa, to the obstacles which impede the development of black SSEs. The report suggests specific training and other assistance. The program ideas considered in the report include the following interventions, as well as a review of local organizations that could assist with implementation:

- Promotion of Policy Dialogue
- Training and Entrepreneurship Development
- Advisory and Extension Services
- Assistance in Raw Material Procurement
- Marketing Assistance

- **Consulting Services**
- **Product/Technology Research and Development Assistance**
- **Establishment of Service Centers**

II. History of Black Entrepreneurship in South Africa

Discriminatory Legislation

2.1 The black private sector in racially segregated South Africa has, in the past, been deprived of growth and prosperity through successive imposition of a complete web of interlocking legislation, regulatory measures, bureaucratic impediments, and other restrictive and repressive directives. Such deprivation was imposed at the national, provincial, regional, municipal, and township levels of government.

2.2 Legislation enacted to ensure the effective dominance of whites over black citizens of South Africa began in the 1860s. It included:

2.2.1 The location Acts 30, 32, and 33 between 1869 and 1884. These Acts forced black people to become sources of cheap labor for mines and white-owned farms by:

- a) Restricting the number of black people allowed to rent land from whites;
- b) Discouraging white landowners from leasing land to blacks by establishing high licensing fees to effectively block black tenant farmers from using farms owned by whites; and
- c) Forcing those blacks who did not take low wage jobs for whites to live in designated "reserves."

2.2.2 During the nation's transition from an amalgam of Boer republics in 1910 to an apartheid state in 1948, the government enacted additional apartheid laws to enforce the hierarchical ordering of the economic, political, and social structures that discriminated against black South Africans. For example:

- a) The government restricted further the physical movement of black South Africans by enacting legislation that included:
 - i) Various land acts (1913-36) that restricted blacks to 18% of the land in the entire country;
 - ii) The Influx Control Act that restricted blacks from seeking employment outside designated reserve areas;
 - iii) The Black Urban Areas Act (1923); The Native Labor Act (1950); The Group Areas Act (1950); The Population Registration Act (1950); and The

The Physical Planning Act (1967) all of which further restricted the physical and economic mobility of black people in South Africa.

- b) As an additional means of restricting the economic development of black South Africans, the government enacted various Bantu Education and Job Reservation acts (1953–69) designed to ensure that those displaced black workers who were lucky enough to find paid employment in white enterprises would not rise above the lowest skill and employment levels.

2.3 These repressive statutes ensured that blacks could not escape white domination and that they would lose economic and political independence. Successive generations of black wage earners grew increasingly dependent upon employment by whites. In addition, the statutes forced black entrepreneurs to relocate to and to confine their business activities within the boundaries of black residential areas only. This relocation isolated them from sources of capital, security, suitable labor, and lucrative markets.

Official Government Policy Toward Black Business Development

2.4 During the 1960s, the government established, additionally, many administrative regulations to consolidate its policy of stifling the development of black business. The main provision of these were as follows:

- a) Trading licenses were granted only to males “over 21 years old, fit and proper, free from infections, diseases and criminal records, and in possession of permits to reside within a particular black township.”
- b) Blacks were not allowed to trade in white areas.
- c) Blacks were not allowed to carry on more than one business, whether of the same type or not, even in different residential areas.
- d) Blacks were restricted to selling “daily house-hold necessities.” They were strictly prohibited from the selling of durable products of any kind, from engaging in manufacturing activities of any kind, or from establishing new service businesses, such as dry cleaners, garages, and service stations.
- e) Blacks were prohibited from forming companies or partnerships or from engaging in any other form of resource pooling.
- f) Blacks were prohibited from constructing buildings necessary for the conduct of their business activities but were required by law to lease them from local authorities.

2.5 The government vested the power for policing these regulations in a variety of state bureaucracies that included Administrative Boards, Local Authorities, Health and

Licensing Authorities, Planning Offices, Municipal Police, Railway Police, South Africa Police, and white superintendents in charge of black townships. These bureaucracies diligently exercised their powers to protect white-owned businesses at the expense of the black entrepreneur. Often, despite compliance with and conformity to the stringent directives, black entrepreneurs could lose their trading licenses at the whim of any of these officials.

The Decline of Apartheid in South Africa

- 2.6 The real, albeit slow, decline of the apartheid system in South Africa began in the early 1970s. Labor strikes in 1973 ushered in an era of civil uprisings that culminated in unrest during the periods of 1976–77, 1984–86, and 1989–91. These events prompted public and private sector organizations to embark upon reform programs to address structural and other imbalances within the black community and its business sector.
- 2.7 In 1979 and after 1986, the government relaxed many regulatory impediments that had restricted the establishment and growth of black enterprises, for example the Land Areas and Group Areas Act. This led to marked increases in numbers and sizes of new enterprises that black South Africans formed. But, most of the initiatives to establish medium-scale businesses failed during their formative years because the repeal of apartheid regulations had not removed practices, mechanisms, and conditions that had frustrated the development of black entrepreneurship in the past.

Some Lasting Effects of the Apartheid Laws

- 2.8 The systematic elimination of black entrepreneurs in the various sectors of the South African economy created the lasting impression that black South Africans were not capable of owning, organizing, and managing formal business activities. Even today, many blacks and whites are still convinced that blacks cannot function in business endeavors, ignoring the impact of repressive laws in reaching this conclusion.
- 2.9 There were few credible, successful black entrepreneurs as models for aspiring black people. Those black entrepreneurs who succeeded in accumulating fortunes often carried the stigma and suspicion of having used unlawful means or having cooperated with the apartheid government to do so.
- 2.10 While they were restricted from exercising their entrepreneurship to the full, black South Africans did become a significant consumer group that became accustomed to supporting white-owned enterprises. The white-owned enterprises provided them with goods and services of better quality and pricing than those owned by blacks. Affluent black consumers eventually avoided black-owned businesses as they regarded such businesses as inferior and lacking in quality and pricing scruples.

III. Characteristics of Black Small Scale Enterprises (BSSEs) in South Africa

Definition of BSSEs

- 3.1 For the purposes of this study, the meaning of Black Small Scale Enterprises shall be confined to businesses owned by black South Africans and employing fewer than 50 people.

Sector Composition

- 3.2 The black SSE sector in South Africa is comprised of small scale manufacturing, construction, retailing, and service activities, both in the formal and informal sectors of the economy.

The informal sector is made up of roadside and backyard operators, who are typically unsophisticated and have no formal premises to operate from. Most businesses in the informal sector are unrecorded, unlicensed, and untaxed. By some accounts 47% do not keep written records. Examples of common enterprises include fruit and vegetable vendors, offal and meat vendors, mechanics, residential grocery shopkeepers, tailors, sellers of second-hand clothing, upholsterers, welders, panel-beaters, and small appliance electrical repairers. Most informal operators gained the skills necessary to run their businesses through previous employment in the formal sector.

The formal BSSE sector tends to rely on very small convenience shops or 'top-up' trading activities, with very little commercial or industrial activity, i.e., supermarkets, factories, offices, etc. These firms are licensed and have fixed premises.

Findings from the 1990 Central Statistical Service survey which covered Johannesburg, Pretoria, Greater Durban, Cape Town, and Greater Bloemfontein, pointed to a rather large concentration of black South African private sector enterprises in the retail, service, and food processing (non-manufacturing) areas. In recent years, the food and service sectors have witnessed substantial growth as large numbers of black entrepreneurs take up fast food franchises, while others provide services in bookkeeping/accounting, public relations/promotions, and business marketing/consulting.

Production Characteristics

- 3.3 Most black SSEs have limited division of labor and use simple production techniques. Firms are labor intensive and require minimal managerial skills. They generally have very little capital equipment. Production often takes place in poorly equipped sheds or

in the open air. Owners often rely on the assistance of unpaid family members or apprentices.

Market/Demand

- 3.4 Black SSEs typically sell their goods and services to low-income customers living near their business premises. Proximity to consumers, comparatively low quality, and limited offerings of goods and services allow BSSEs to sell at low prices. Thus, they play an important role in satisfying the basic needs of disadvantaged black communities. For example, a panel of the Department of Transport found that of 2,250,000 African commuters, 30% use kombi taxis as their main mode of travel to work. This was the largest share of the market, greater than buses and trains.

Size

- 3.5 The overall size of the informal sector has been a source of dispute and speculation for several years. The results of the first official, comprehensive survey of this sector were published in March 1990 by the Central Statistical Service. The study found that the value of informal sector production in 1989 was about R16,000 million, equivalent to 7.3% of gross domestic product.

It is estimated that there were between 60,000 and 90,000 unlicensed taxis in South Africa as compared to 35,000 licensed taxis. In 1989, the Self-Employed Institute estimated that the black taxi industry provided employment for over 300,000 people of whom 100,000 were taxi drivers and 200,000 were involved in back-up services, such as mechanics and spare-parts dealers.

At a marketing seminar held in 1989 in Cape Town, it was reported that approximately 900,000 hawkers and 20,000 spaza (camouflaged) shop owners were operating in the Pretoria/Witwatersrand/Vereeninging (PWV) area.

According to a 1988 Finance Week article, street vendors account for 37% of all vegetable sales—more than greengrocers and supermarkets. Hawkers spend R28 million a year at Johannesburg's City Deep market alone, for produce that they later resell.

By some estimates, 40% of black families have at least one member working in the informal sector.

Ownership

- 3.6 According to the Central Statistical Services, a large proportion of both formal and informal businesses are owned by single individuals. Seventy-four percent of the formal businesses in South Africa are privately or family-owned. Eighty-six percent of informal sector undertakings are under sole ownership.

Among informal sector operators, the tendency is to own one business. However, some formal sector operators, especially retailers, also extended their business activities into the informal sector. This is a deliberate attempt to contain competition from informal enterprises which are often established in front of or adjacent to existing formal retail outlets.

Small business operators tended to run their businesses as sole proprietors and employ fewer than five people.

A 1986 survey conducted of 250 informal operators in the Inanda and Clermont areas of Durban found that half of the operators were aged 38 years or younger. Forty percent were functionally illiterate. Operators with above average educational levels were found in small shops, sewing and knitting businesses, and construction, while those with little or no education clustered in hawking, craft, and artisan activities.

While the ratio of male/female ownership of SSEs is nearly equal, firms run by women tend to be smaller in terms of employment, with an average of 1.71 workers, compared to 2.63 for male-run firms. Businesses run by women are more likely to provide income to the family which is supplemental to other sources of income than are male-run businesses. Only 29.4% of female-run businesses provide more than 50% of the family income, while 44.3% of male-run firms make such a contribution.

Certain business activities seem to be dominated by one gender or the other. Firms in sectors involving trade and commerce tend to be run predominantly by female proprietors, as are service-oriented, textile manufacturing, and food-processing firms. Firms involved in fabricated metal production, wood and wood processing, and transport tend to have male proprietors.

The majority of blacks who are active in the business sector were motivated to start their own enterprises by factors such as a desire for independence, propensity for challenge, and new opportunities in the marketplace. One of the major differences to emerge between formal and informal business operators revolves around the extent to which they are prepared to follow their personal interest in a particular line of business.

Forty-one percent of informal entrepreneurs cite personal interest in the existing business as the single most important factor which led to the formation of the enterprise. This factor was also cited by 34% of prospective entrepreneurs as the single most important source of motivation for wanting to start a new business. Conversely, only 3% of formal business owners consider personal interest in business an important asset.

Further, 29% of informal businesspersons state that their basic motivation for going into business was to make money, while only 7% of their counterparts in the formal sector readily acknowledged this desire. Another significant difference between the two types of business owners is exemplified by the fact that 21% of informal entrepreneurs

use personal experience to guide them into new business formation. An equal number of formal and informal businesspersons (7%) claimed to have received training for their current line of business.

Other important motivators cited by informal sector operators include the role or influence exerted by friends/relatives, retrenchment, loss of employment, and the potential entrepreneur's belief in his or her own talent.

Employment and Income

- 3.7 According to the 1990 Central Statistical Service survey, 2.6 million Africans worked in the informal sector. Nearly two-thirds of these were full-time workers. The remainder were housewives or school children who were active in this sector on a part-time basis. Eighty-six percent of the Africans working in the informal sector were self-employed. The employment creating capacity of the sector is limited, and the cost per job was low. Nearly half of those working in the informal sector earned less than R250 (\$90) per month.

A survey by Business Marketing Intelligence reported that in 1988, the South African small business sector had a turnover of R100,000 million and had 4 million employees. The survey involved 2,000 small businessmen of all racial groups who had a turnover of R5 million or less. In 1985, approximately 25% of total black income derived from the informal sector.

The total annual income of blacks engaged in the informal sector was estimated by the Small Business Development Corporation as being between R15 million and R20 million, with an annual growth rate of approximately 12%.

The Inanda/Clermont study found earning and employment rates in those two townships distributed as follows:

Employment and Income Levels by Economic Activity

Activity	Number of Firms	Percentage of Firms Earning >R200/Month	Percentage of Firms Employing 4 or More
Small Shops	64	31	17
Hawkers	35	9	15
Sewing	32	6	3
Knitting	29	3	—
Other Crafts	19	21	5
Artisan	28	11	14
Builders	12	50	42
Entertainment	11	4	9
Other	21	2	5

A similar study of formal, licensed BSSEs in Cape Town (1986) showed the following breakdowns:

Characteristics of Formal Black Businesses in the Cape Area (1986)

Type of Business

General Dealers	26%
Butchery and Fish Shops	12%
Food Supply Stores	24%
Service Stores	11%
Clothing and Shoe Stores	20%
Other Stores	7%

Number of Employees/Store

Fewer than 3 employees	22%
3 to 5 employees	53%
6 to 20 employees	25%

Monthly Sales/Store*

Up to R1,000	23%
R1,001 to R3,000	25%
R3,001 to R7,000	27%
R7,000+	20%

* (5% non-response)

Labor Composition

- 3.8 The BSSE labor force can be divided into four major types: proprietors (or owner-operators), family members, hired workers, and trainees or apprentices. A survey of Mamelodi and Kwazakhele townships, within which 5,253 black-owned SSEs are estimated to exist, revealed that proprietors themselves are the dominant labor type in 50% of these businesses, followed by family members (29.7%), hired labor (18.9%), and trainees/apprentices (1.4%). Women comprised 52.8% of the work force in these businesses. The work force in the sector, excluding proprietors, was very young. Fifty percent were aged 24 years or younger, 14% were 15 years or younger. Seven percent work only part-time.

Wages of paid employees are low. Only 72 of the 199 employees surveyed in the study of 250 Inanda and Clermont informal operators received a wage (the other workers in the study were relatives of the owner). Of those who earned wages, 47% earned R10 (\$4) per week or less.

Contribution to the Economy

- 3.9 According to the Race Relations Survey 1989/90, the small business sector in South Africa (both black and white) had a sales volume of over R100 billion and employed 4 million people in 1989. The annual sales volume of the blacks engaged in the informal sector was estimated at between R15 billion and R20 billion, with a growth rate of approximately 12%.

The formal black business sector in South Africa, however, contributed only 1% to the country's gross national product (GNP). The same survey reports that 12% of the white population was involved in formal sector entrepreneurial activities in South Africa as opposed to only 2% of the blacks.

The South African Government is attempting to encourage informal operators to cross-over into the formal sector. The focus of many business development agencies is on counseling and training informal sector operators to operate efficiently, and thus graduate into the formal sector. The move directly into the formal sector is limited not only by those problems that affect the informal sector, but also by an attitude that the formal business sector is a white-only domain.

IV. Constraints to Black SSE Development and Training Implications

- 4.1 As a means of understanding the constraints faced by black SSEs, the PSTNA team spoke to entrepreneurs, business support organization personnel, managers of financial institutions and corporations, political parties, and community agencies. Also, as part of this study, Consumer Behavior (PTY) LTD was commissioned to research the problems of black formal, informal, and failed businesses in the PWV, Johannesburg, Greater Durban, Cape, and Greater Bloemfontein Areas. (See Appendix A for detailed description of survey findings.)

Entrepreneurs listed their problems in the following order:

**Table 1—1991: PWV, Johannesburg, Greater Durban, Cape,
and Greater Bloemfontein Areas (Mafuna)**

Problems	Formal	Failed	Informal
Social			
Violence/robbery/taxi wars/pilfering	1	5	1
Unrest/boycotts/arson	3	7	15
Economic			
Recession/weak economy	2	8	3
Strong competition	4	4	4
Unskilled/unreliable staff/relatives	4	2	7
Financial problems/cash flow	6	1	12
Inflation	6	9	10
Lack of capital/equipment	13	—	2
Unemployment/no spending power	8	—	7
VAT/taxes	10	—	16
Internal/Business			
Poor management	—	3	—
Products/services obsolete	—	6	—
Stock control/shrinkage	13	8	—
Lack of space/premises/high rent	13	10	5
Credit control/loss	10	—	6
Lack of financial control	—	10	10
Lack of transport/deliveries	—	—	4
High cost of raw materials	9	—	12
Customers do not collect/return goods	10	—	12
Technical problems with machines	13	11	12

In recent years, several research organizations have studied the role, activities, perceptions, and the constraints that hinder the start-up and expansion of black SSEs. The results of three such studies are as follows:

Table 2—1984: Soweto-Orlando West (Jagoe)

Business Problems	Ranking in Order of Priority
Lack of cash/working capital	1
Lack of business knowledge	2
Marketing/selling channels	3
Obtaining orders	4
Debtors	5
Lack of capital	6
Unsuitability of business premises	7
Purchasing from wholesalers	8
Profitability	9
Transport	9
Staff	10
Legal	11

Table 3—1986: The Cape Area (Phillips and Brice)

Business Difficulty	Ranking in Order of Priority
Unrest	1
Insufficient capital	2
Legal restrictions	3
Business downturn	4
Competition	5
Inefficient management	6
Poor business location	7
Owner drawing funds from the company	8
Bad debt crosses	9
High interest charges	10
Unfavorable trading area	11

Table 4—1988: The Port Elizabeth Area (Davies)

Business Problems	Ranking in Order of Priority
Bureaucratic and political restrictions	1
Access to capital	2
Lack of expertise	3
Business related problems*	4
Access to land/premises	5
Socio-political environment	6

* This includes bad debts, theft, lack of space and support services, and external competition.

In these last three studies, the problems of legal restrictions, access to capital and premises, lack of business knowledge, and general business management constraints, all feature among the top 7 ranking. The high ranking of “unrest” due to civil strife and disturbance is peculiar to the Cape study at the time of the study because the Cape townships of Kayelitsha, Guguletu, and Crossroads were the center of political unrest in 1986. However, the later study also ranks violence as the greatest contributor of underperformance in both the formal and the informal sectors.

That ‘legal’ ranks last in the Soweto study possibly indicates that respondents to the study had already received licenses to trade and had already found suitable business premises. In other words, restrictions concerning the location of businesses and granting of licenses had been overcome and were therefore not perceived as being a problem. The same assumption can be made of the 1991 study in which the respondents did not cite legal restrictions as being obstacles to their business operations.

4.2 Internal Business Constraints and Training Implications

Lack of Understanding of Market-Driven Economic Systems

4.2.1 Among the owners of black SSEs, there is a widespread lack of understanding of the nature of a market-driven enterprise. The same lack of understanding typically appears in medium-sized enterprises in which the owner diversifies into business activities about which he knows very little. Typically, he started his business in commerce/trading and subsequently went into manufacturing, having spotted an opportunity where he could get in fast without much knowledge of the requirements and the pitfalls of the new business activity. This kind of uninformed expansion will be increasingly dangerous once the market opens up to new black entrants.

Training Implications:

- Training in this area should include focus on understanding the behavior and interactions of the components of the business/economic system, to enable SSE owners to eventually exert influence and even control, individually and in groups, over those components that affect them.
- Business planning skills are another important training focus in this area. Training should include teaching the entrepreneur to develop business plans, taking into account the concept of supply and demand, the availability of resources, and the necessity of identifying and establishing a market niche.
- In order to assist the owners of medium-sized enterprises to diversify their businesses more successfully, training should facilitate an understanding of strategic planning and growth strategies, including the relationships and synergism of various types of business enterprises, as well as an understanding of the “upstream, downstream” concept of diversification.

Obtaining Finance

4.2.2 Small firms in general are handicapped in their access to and use of finance facilities. Disadvantage stems from the general absence of a ‘track record’ in business, at least of a kind congruent with the perception of a financial institution concerning, for example, acceptable levels of risk, security, records maintenance, and the like; inadequate or inappropriate collateral; and generally insufficient equity capital. Financial institutions are sensitive about lending in the black business community for a number of other reasons; namely, a general lack of knowledge and access to their clientele, and the location of the businesses (which could be under threat during strife-torn periods).

Training Implications:

- Basic training in this area should give BSSE owners an understanding of the standard practices of financial lending institutions, such as requiring collateral, and charging interest and penalty, etc.
- In addition, business owners should be taught how to approach financial lending institutions with credible requests for assistance. This would include training on the preparation of business plans and proposals and basic financial statements.

Low Literacy Rate

4.2.3 A low literary rate among operators of informal businesses impedes their expansion to formal businesses. Approximately 40% of the black entrepreneurs in the informal sector have received a minimum education, if any. Illiteracy is an impediment, in many cases, to the creation of written business records upon which financial control is based.

Training Implications:

- Training in this area includes basic literacy and numeracy skills courses, coupled with recordkeeping systems that can be used by semi-literate individuals.

Lack of Managerial and Business Skills/Abilities

4.2.4 The experience and/or expertise of black businessmen are often acknowledged as inadequate; consequently, control or administrative systems are generally found to be rudimentary or non-existent. Phillips and Brice (1986) and Jagoe (1984) found this particularly evident in areas of inventory management, marketing, financial records, credit control, and forward planning. In addition, this lack of experience often leads to failure in the start-up phase.

Training Implications:

- Skills courses in the areas mentioned above are recommended, i.e., inventory management, marketing, financial records, etc.
- Specific training to help entrepreneurs avoid failing during the initial “start-up” phase. The training would include how to identify business opportunities, locate markets, locate supplies, obtain funding, analyze cash flow, and keep financial and other records. This training may have to continue for periods from 6 months to 2 years after the enterprise has started.
- Short-term workshops and one-day conferences to update entrepreneurs regarding functional areas of SSE operations, as well as current trends and common concerns.
- Training on how to use available financial resources more efficiently (should be highlighted in the paragraph above).

A Production Mentality

4.2.5 A “production” mentality, which states “Because I know how to make a product, I’ll make it,” overpowers the “market” mentality, which asks “What are the markets which can be tapped, and how can I best tap them with my product/assets/skills/ideas?”

In the informal sector, product range is also generally very narrow and subject to intense competition, especially within the community itself where there is a proliferation of similar activities. Most products sold by black SSEs are designed for sale in the black community, which means that they are usually inexpensive and often low quality, using a low level of technology to produce. Profit margins are unduly small.

Training Implications:

- Training in this area should include introducing the concepts of market research, product development, quality control, and costing and pricing.
- Training should focus on developing an entrepreneurial attitude which seeks new and innovative product ideas.

Lack of Information

4.2.6 It is interesting to note that in the research studies mentioned earlier, businessmen freely admitted their lack of know-how and reported needing training, counseling, and further education, but had little awareness of the facilities and programs that were available to the community.

Often the pace of business development is hindered by the lack of and poor dissemination of information. Discriminatory laws have been repealed, but if the black businessmen is unaware of this, he will continue to experience problems both perceptually and in reality.

Training Implications:

- SSE owners should be encouraged during training to keep abreast of developments that concern them, by reading newspapers and trade periodicals, and through business associations.
- Training should also focus on overcoming the inhibition many black SSE owners feel about approaching government and municipal officials directly, to gain firsthand information about laws and regulations.

4.3 General Business Issues and Constraints

Macroeconomic issues

4.3.1 The main determinant of SSE product demand is domestic income level and distribution. Rapid growth of income, particularly in lower income groups, will simulate the SSE sector. Policies that raise rural and urban incomes will be important in assisting the SSE sector. SSEs have an advantage over larger scale enterprises because they are closer to the demand for goods and services. Other important factors include:

- a) Import Supply;
- b) Export Demands;
- c) Income Level and Distribution;
- d) Inter-Industrial Linkage;
- e) Governmental Expenditure; and
- f) Interest Rates and Credit Policy.

Socioeconomic Issues

4.3.2 Socioeconomic constraints have been identified in most localities where black SSEs operate. General education, literacy rate, and skills training levels are important for both the efficient operation of SSEs and the demand for their products. Other factors to be considered under this subtopic are:

- a) Population and Household Structures;
- b) Consumer Behavior and Saving Patterns;
- c) Entrepreneurial Attitudes and Traditions.

Thus educational institutions are important for the supply of literate and skilled labor to SSEs. Policies that alter the educational system to emphasize technical skills, entrepreneurship, and business management will be important.

Technical Infrastructure

4.3.3 The availability of a technical infrastructure is mainly of concern as a limiting constraint for modern production and marketing. Where the infrastructure is inadequate, SSE programs will have to focus primarily on enterprises operating without modern equipment or electrical power. Transport is also important for conveying raw materials, finished products, and in bringing customers to the marketplace. Many black SSEs in South Africa are located where the owner lives. Often, they are scattered over very large and inaccessible areas, where it is difficult for advisory and extension services to reach them. In addition, these localities may be beset by power outages and be difficult for suppliers and customers to reach. Factors to be considered under technical infrastructure include:

- a) Transport and Communication;
- b) Electricity;
- c) Water and Sewage; and
- d) Industrial Sites.

Legal and Administrative Factors

4.3.4 Black SSEs have been seriously constrained in the past by laws, regulations, and policies. The Government's policy of promoting small black enterprises is negated by the legal framework which is designed to regulate large and middle-sized enterprises. The legal environment also discourages small firms from expanding to sizes covered by the laws. Policy improvement in the legal arena is, therefore, essential to effectively supporting the SSE sector in South Africa.

Finance and Credit

4.3.5 Finance is a major problem for black formal businesses in South Africa. Most of the successful SSE programs in the country address this concern. Financial support for larger SSEs should comprise:

- a) Credit for Investment and Working Capital;
- b) Venture Capital; and
- c) Leasing/Hire Purchase Arrangements.

The financing described above refers to medium and larger SSEs. Informal, pre-micro, and micro-enterprises have little demand for capital investment loans. They normally need working capital. Commercial banks do not solve this problem within their normal scope of operations. Other financing models seem more appropriate for this group of SSEs. The Grameen Bank model or NGO financing based group membership, might be the most suitable.

In the said model(s), loans are extended without many formalities, and no collateral or equity is required. The loans are small and short term. Interest is at commercial rates and monthly installments are enforced for payback.

It might be appropriate to let selected project support organizations offer credit too. In such cases, the funds should be arranged either on a referral basis or as on-lending from the project funds. In both arrangements, the ownership of the funds remains with the project.

In the referral system, the support organization is given the right to lend a certain part of the fund to the target clientele, and it is given the responsibility of loan management, but not the repayment. In the on-lending system, the money could be lent from the project fund to the support organization which on-lends to the entrepreneurs. The organization is then responsible for both loan management and repayment.

Raw Material Supply

4.3.6 The regular supply of raw materials is a serious problem for many of the SSEs in South Africa. Upgrading the system is by itself part of the general development process. Although an SSE assistance program cannot improve the regularity of raw materials supply in the country, it should enable specific bottlenecks to be identified and adequately removed.

Purchasing Terms

4.3.7 The procurement basis for supplies is often too small to permit direct access to manufacturers, which means that intermediaries are used. Frequently, these are located outside the black trading areas, and add considerably to the cost structure of the trader or manufacturer. Problems also occur with the policy of wholesalers and suppliers

demanding cash payment for goods, rather than payment on a 30-day basis. This results in chronic cash flow deficits which can then prevent growth of the black business.

Restrictions on Freedom

4.3.8 Restrictions on the freedom to operate a business are perceived as critical. In some cases, black businessmen may not be aware of positive changes that have already taken place (Phillips & Brice, 1986). Problems are experienced as a result of restrictions on the freedom to make key decisions affecting the location of business. Often, business sites are zoned and licenses granted to individuals at the sole discretion of officials administering black urban development, and often only granted to those that have favorable pro-government leanings. The problem is then compounded by the fact that licenses themselves are traded, so that the alternate operator is even more remotely connected with the original 'business' impermanence and insecurity about business, which results in a lack of motivation to improve or modernize premises.

Civil Strife and Disturbance

4.3.9 Civil commotion and frictions in black communities have, in the past, exacerbated existing environmental problems. These include intensified security hazards, for example:

- i) Destroyed or damaged public lighting
- ii) A dilution of the effectiveness of policing
- iii) Damaged communications resulting from road damage or blockage, suspension of public transport services, and the inability or unwillingness of suppliers and clients to move freely into and out of the affected areas

Training Implications of General Business Issues and Constraints

4.3 In addition to the business owners themselves, other people who actually interact with, or who could potentially interact with, owners of small businesses should also become partners in the training process. They, too, can make a contribution to the development of this sector. For example, managers of formal businesses need training regarding the ways in which partnerships or subcontracting arrangements can be entered into with small enterprises. Financiers need training to enable them to develop new criteria to evaluate the potential of these types of businesses so that more loans can be granted to business owners in this sector. Government policy makers need training to enable them to plan and implement policies that contribute to the development of the small-business sector. Municipal officials need training as trainers so that they in turn can train informal business owners in health and safety standards. Business support organization staff need training to further enable them to assist SSE owners. A general awareness program for the public may also be necessary as a strategy to alert as many people as possible to the importance of this sector and to encourage them to support small and informal business.

Managers of Formal Businesses:

- Educational campaigns can encourage goodwill toward informal sector owners by highlighting benefits accrued by formal businesses operating in close proximity to informal operators, such as additional customers being attracted to the area.
- Managers of larger formal businesses can also learn of the advantages, as well as the mechanics, of subcontracting to SSEs.
- Formal sector managers can be encouraged and taught to act as role models and mentors for the owners of smaller and/or informal businesses.
- Formal sector managers should learn methods of marketing to, and supplying SSEs, as a means of expanding their businesses.

Financiers:

- The employees of financial institutions should receive training in tailoring their services to meet the unique needs of SSEs. This may include offering unique assistance to these entrepreneurs, such as help in keeping financial records, explanation of accounts, giving reminders when installments are due, and possibly collecting payments in person.
- Training for financiers should also emphasize the importance and potential of the SSE sector.
- Managers of financial institutions could be taught to evaluate the credit worthiness and likelihood of repayment of SSE owners, who may not have the traditional forms of collateral or credit history.
- Training in stokvel (savings clubs) development and management should also be included in training for financial institution staff.

Government Policymakers:

- Government policymakers should receive training that includes an appreciation of the role that SSEs play in the economy.
- Training for government policymakers should highlight the constraints faced by SSEs and the relationships between those constraints and macroeconomic and social factors, so that they understand how their decisions impact on this sector.

Municipal Officials:

- It is important that municipal officials learn to help SSE owners to comply with business codes. This implies not only learning to conduct training sessions, but also

learning how to alleviate some of the fear and mistrust many in the black community feel toward some municipal agencies, as a result of past discriminatory regulations affecting black areas and activities.

- Training should emphasize educating black SSE owners early about regulations, rather than on punishing those who may be in violation of such regulations.

Business Support Organization Staff:

- Business support organization staff should be trained to reach out to informal sector operators, as well as SSEs which may operate in geographically isolated areas. This would include encouraging their membership and participation in associations, either as individuals or in special interest subgroups.
- Training in the design and implementation of training and counseling programs for SSEs is also important for business support organization staff.

The Public:

- Potential customers should be aware of the range of products and services offered by SSEs, and the importance to the society of supporting these businesses.
- Customers of SSEs can benefit from learning consumer behavior that encourages them to give feedback to SSEs about products and services, and makes them and SSE owners aware of the legal rights of both parties.

Activity Components of a Comprehensive SSE Support Program

4.4 Although training (the primary focus of this report) is essential to the development of black SSEs, owners face problems for which training is not sufficient. A coordinated, integrated package of non-training as well as training interventions is necessary. Possible components of a comprehensive SSE development assistance program in South Africa can be gathered under the following headings:

- 4.4.1 Policy Dialogue
- 4.4.2 Market Assistance
- 4.4.3 Consulting Services
- 4.4.4 Advisory and Extension Services
- 4.4.5 Research and Development Assistance
- 4.4.6 Industrial Estates or Business Premises

Policy Dialogue

4.4.1 As South Africa progresses toward a non-racial society, the government will be required to implement a number of social, political, and economic reforms programs in keeping with its new international status. Many of these programs will affect the private sector

in general and the black SSE sector in particular. Thus government policymakers will need training in a variety of factors to enable them to plan and implement policies favorable to the black SSE sector.

Market Assistance

4.4.2 The marketing of SSE products is a major bottleneck in South Africa. Lack of access to markets is generally due to inadequate transport and marketing communicators as well as lack of organizational support. In the marketing efforts for medium-sized SSEs, increasing the SSE sector linkage to other parts of the economy through subcontracting, will be of immense importance.

Consulting Services

4.4.3 In order to supply more in-depth and demanding assistance than public business extension services, the development of commercial consulting firms should be supported. The connecting firms should form a link between the SSE sector and technical and managerial resources and development institutions. Consulting firms can specialize in particular segments of the sector and accumulate knowledge that can be transferred across enterprises of similar types. The consulting sector is a “must” for spreading new techniques and improvements in technology, marketing, and management.

Advisory and Extension Services

4.4.4 An SSE development project should be able to deliver extension and advisory service, within the following fields:

- a) Scouting and Selecting Entrepreneurs and Projects;
- b) Product Development;
- c) Feasibility Studies;
- d) Project Financing;
- e) Management Assistance;
- f) Materials Procurement; and
- g) Production Planning.

Research and Development Assistance

4.4.5 Research and development institutions should disseminate their up-to-date information to SSEs through the advisory and extension system.

Industrial Estates or Business Premises

4.4.6 One alternative is for SSEs to be pooled in industrial estates or clusters. Such estates, however, should not be over dimensioned with too-high standards causing high rents

that would slow down the move-in rate and result in an adverse example of investment planning.

Minor service centers for SSEs should be established. These centers should include an office block, storage facilities, and workshops. They should be located near the market centers of the areas that they service. One or more of the SSE support organizations should be attached to the center and offer their range of services to interested entrepreneurs.

V. Private Sector Resource Organization Needs Analysis

Private sector resource organizations operating in South Africa are an important source of training and support to black SSEs. However, most need training and other assistance to be able to reach out effectively to the SSE sector.

In an effort to assess the capabilities and needs of South African private sector resource organizations, the team mailed questionnaires to 179 institutions. Fifty-four responded. The team also conducted 35 interviews, mainly with the institutions who responded in the survey. Detailed results of the responses to the questionnaire can be found in Appendix B.

- 5.1 The organizations offering training and other resources to black SSEs can be grouped into the following categories:
 - a) Private sector companies/franchisers directly linked to SSEs;
 - b) Public sector SSE training/development organizations;
 - c) Public sector university or technikons training/development organizations;
 - d) Private sector SSE training/development organizations;
 - e) Commercial business college and training companies; and
 - f) Membership organizations.
- 5.2 The current funding guidelines for USAID in South Africa preclude support for organizations controlled or funded by the government. We included these organizations in the study in order to discern the total training and services universe for black SSEs.

Training Capabilities and Needs for Business Resource Organizations

- 5.3 The following are findings revealed in the survey regarding training and service capabilities of business resource organizations:
 - a) Nearly all organizations providing SSE resources reported that more people sought training than was available at the institutions. Organizations offering limited training at low or no cost, dependent on sponsorships, turned away applicants. The supply/demand ratio for expensive training offered by universities and commercial training organizations was not discernible in the survey.
 - b) Many South Africans, including blacks, see entrepreneurship as their most viable economic option, and demand various levels of services and training. There is a

need for more education about business beginning at the primary school level. As it stands, business education only appears at the tertiary level of education.

- c) Many organizations are duplicating in terms of models of assistance intended for the semi-formal and informal sectors. Such organizations are not drawing on what is already relevant and available, either within the country or abroad.
- d) Alongside the lack of information about other organizations involved in similar work, there is lack of information about issues impacting on their clients. Such information includes impending regulatory changes, existing training programs or materials, and SSE development models outside South Africa.
- e) Lack of coordination means less effective delivery of the resources clients need from resource organizations. SSEs need combined inputs such as training, credit, and technical assistance in marketing. With more coordination between resource organizations, SSEs would receive their requisite inputs.

Universally Recognized SSE Development Coordinating Body

- 5.4 There is no universally recognized leader or coordinator of SSE development or training in South Africa. Although the Small Business Development Corporation has the government mandate to develop SSEs, many private business resource organizations were created because of perceived inadequacy on the part of SBDC. The SBDC is also said to be biased in favor of white SSEs.
- 5.5 There are countries which have been able to successfully improve the performance of SSEs. These countries have central organizing bodies addressing various factors that impact on SSE development. These impacts are also felt in environmental factors, training, finance, and markets. The absence of such a body is a serious constraint to overall progress for black SSEs in South Africa.

Post-Training Evaluation

- 5.6 Many of the organizations interviewed indicated that their clients were “perpetually dependent” on training and counseling, without analyzing if the adequacy could be attributed to the training or not. A certain minority of training providers, however, did have follow-up, and used post-training evaluation techniques. The Private Sector Counselling Organization uses improved profitability of the clients as an indicator. The Free Market Report uses a self-report on improved business, six months after a one-week course, to assess the impact of training.
- 5.7 For many organizations, training appears to be an end rather than a means. Only evaluation would determine if methods are effective. Significant donor friends are supporting numerous SSE development programs. Most of these programs are geared

toward the unemployed, low-income, new, and potential entrepreneurs. It is difficult to measure the impact of these donor inputs at present.

Funding and Donor Dependency

- 5.8 Most of the organizations surveyed are dependent upon sponsorships from the private sector or donor agencies. The majority indicated problems obtaining consistent and continued funding. Reasons given for such problems were that private sector resources “are drying up,” government funds are limited, and the clients served cannot afford to pay for services rendered.
- 5.9 A minority of organizations obtained some of their operating costs from fees for services, consulting, or providing training programs. Only larger, usually state-funded organizations like SBDC had funds to invest in lucrative income-generating operations. This increases the need for the evaluation of the performance of training programs.

The Paucity of Black Capability

- 5.10 The “decision maker” in most of the organizations interviewed was white, as were most senior-level personnel. A few of the management staff were black. Some of the organizations said they were interested in having black staff, but these were hard to find and retain. Even black led organizations were found to contract technical training tasks to white consultants or companies. These tasks usually comprise training design and material development.
- 5.11 Some organizations have addressed the issue. SBAB, which hires consultants/trainers, puts them through the same training offered to clients on an on-the-job training basis. Even then, only a small percentage of trainees are black. PRISCO uses a similar approach, using black mid-level managers seconded from private sector companies, enabling them to identify larger numbers of suitable blacks.
- 5.12 To facilitate real economic empowerment, as well as training in cultural sensitivity in design and materials development, more black capability is needed in entrepreneurial development and business training. Otherwise there will be perpetuation of the pattern of dependency on white expertise which the national impetus toward equality seeks to reverse.

Assistance Provided to Women

- 5.13 Many of the organizations that work with the informal and semi-formal sectors have between 40% and 95% women clients. As they move toward the formal sector, the client base becomes more male. Studies in South Africa show that women-owned businesses cluster at the least lucrative end of the spectrum.

- 5.14 Training provided by the resource organizations does not focus on promoting alternative business choices for women. Women are found in fields in which they received training, such as catering, baking, fast foods, shebeens, dress-making, curtain-making, and handicrafts.
- 5.15 In view of evidence of women's equal capability and competence, interventions are needed to promote them to more lucrative enterprises in order that they may contribute to job creation and income generation.

Training Methods and Approaches

- 5.16 Business resource organizations offered their clients training, credit referral, and counseling. Ongoing technical assistance was a feature of some programs. Any effective SSE development intervention must address requirements of successful entrepreneurship and business progress. Programs which offer training and other services seem more successful and generate client demand.
- 5.17 While most institutions mentioned that current and potential clients were hindered by limitations on access to training, low literacy levels, and limited time, few had successfully designed appropriate or innovative approaches to address these concerns. Many institutions provided supply-driven, rather than demand-driven, training. Market competition is a recurring problem, indicating the need for new market identification and new product development.

VI. Training Strategy

- 6.1 The assessments made in the previous sections show that a need exists for training and the introduction of other resources to increase the success level of black SSEs in South Africa. Decades of repressive legislation have precluded blacks from business opportunities. This impeded small business development and limited the educational attainment of blacks. The impact of this is shown by the high failure rate of black SSEs.

Nearly 200 identified training institutions and business resource organizations exist in South Africa. Many of them have recently included activities for the development of black SSEs. The transition period ahead portends more changes. One major development is in state-controlled education, training, and SSE development institutions, which may soon become fully desegregated (in their clientele and objectives).

A great need exists for short- to medium-term human resource development interventions that respond to the realities of black South African businesspeople. Resource institutions need resources to strengthen their capacity to develop and offer these services. This must be in a framework that makes the most efficient use of available resources, discouraging donor dependency and encouraging local initiative and responsiveness. Interventions should be flexible, and allow for unfolding events during the impending transition toward democratic governance in South Africa.

Some recommended principles for initiating black SSE development are:

Design Adaptive Processes, Not Rigid Blueprints

- 6.1.1 The SSE sector has only come into the focus of USAID and other donors during the last few years. No unique model of how to help this sector has yet been carved out. Thus what is needed is a framework for a process approach allowing for flexibility as the program evolves. Predetermined, fixed models of assistance to this sector should be avoided for two main reasons:
- a) Too little is known about the effects of the various assistance instruments applied in contexts as complex as in South Africa.
 - b) A participatory, adaptive approach allows experience gained through early assistance efforts to have a major influence on the design and implementation of subsequent projects.

Have USAID/SA Play a Catalytic Role

- 6.1.2 Though SSE assistance programs should not originate with detailed plans, guidelines on how to initiate and implement learning processes are needed. USAID/SA should keep in mind that it can play only a catalytic role. The main actors in SSE development are the government, local resource organizations, and the entrepreneurs themselves.

Initial Focus Should Be on the Environment for SSE Development

- 6.1.3 The key to further development of the sector lies primarily with the government, entrepreneurs, and organizations involved with their development. Therefore USAID should attach (has attached) considerable concern to the environment of SSE development in the initial stages of its SSE assistance program in South Africa. Before massive disbursements to supply-oriented projects (credit, technical assistance, training, etc.) are started, the effectiveness of such instruments in the relevant environment should be questioned. Given an unconducive environment for SSE development, traditional supply-oriented projects may be a major sink of development funds without producing the required effects. Only if the economic, political, and socio-cultural environment is sufficiently conducive to SSE development, can USAID money play the intended catalytic role of accelerating Black growth in this sector.

Program Start-Up Should Be Gradual and Experimental

- 6.1.4 When the environment has been judged sufficiently conducive for SSE development, program operations can be started. At the outset only interventions on a limited scale should be applied. At this stage, project designers should understand that assistance programs do not deal with SSEs in isolation, but deal with them as parts of specifically located cultural, social, and economic systems.

Further, this phase should involve pilot experiments with new channels for delivery of the fullest range of instruments appropriate for the development of the sector. Finally, both government and non-governmental organizations at all levels should be reviewed because they play separate but complementary roles.

Long-Term Involvement Should Be Foreseen From the Start

- 6.1.5 The basis for self-sustained Black SSE development in South Africa is not yet established and successful programs will very likely be fragile for years to come. Thus USAID should keep a standby position, ready to prevent breakdowns due to unexpected changes in program environment, or insufficient internal capacity to maintain the program through less optimal periods.

Program Impacts Should Be Monitored From the Start

- 6.1.6 From the very start of the operational phase, a sensitive feedback system for program management should be established. The success of the management of development assistance to Black SSEs will require sensitivity and responsiveness of the key personnel capable of collecting vital information and monitoring program impacts closely and currently.

Full-Scale Programs Should Be Initiated Only When Mutually Supporting Benefits of Coordinated Actions Are Achieved

- 6.1.7 The critical issue in the full-scale implementation phase is whether the program's different actions mutually support each other in order to induce self-sustained SSE growth and development.

The reason for the emphasis on this integrated, multifactor approach rests in the lessons that many donors have learned from single-factor assistance (like credit programs): program benefits usually cease when program inputs are withdrawn. The key task is to ensure that all program actions are coordinated and integrated toward the achievement of the same goals and to avoid imbalances in any direction that can significantly jeopardize favorable program outcomes.

The Major Test of the Full-Scale Assistance Program Should Be the Continuous Improvement Toward Full Sustainability

- 6.1.8 Sustainability evaluations should be carried out at regular intervals once the program has come into full-scale operation. The main focus should be on changes in indicators of sustainability as the program evolves. If sustainability indicators improve, then the program can be strengthened according to the prevailing design. If chances for sustainability do not improve, program operations should be scaled down.

Strategic Objectives

- 6.2 The proposed sector training plan has five strategic objectives:

- 1) **To strengthen the capacity of small and informal black enterprises to take advantage of growth markets, such as construction, transportation/distribution, manufacturing, and technical services;**
- 2) **To strengthen the capacity of South African small business resource organizations and associations to provide services and training that effectively enable businesses to stabilize and expand;**

- 3) To increase awareness and sensitivity of the issues affecting small-scale businesses among government and municipal officials and managers of formal business and financial institutions, and to assist these individuals in developing skills in designing and implementing policies and programs to benefit small-scale businesses;**
- 4) To increase the participation of black women entrepreneurs in existing and new business development activities, and to improve the performance of black women entrepreneurs; and**
- 5) To increase entrepreneurial awareness by supporting the introduction of education about entrepreneurship in institutions offering technical and vocational training to blacks and development of education about entrepreneurship for broad distribution.**

Proposed Target Training Participants

6.3 The training program will target the following categories of persons:

- a) Owners, managers, and technical staff of existing black small-scale enterprises in the targeted sectors of manufacturing, construction, technical services, and transportation/distribution, as well as economic sectors that offer major growth opportunities for entry-level and established entrepreneurs;
- b) Staff and members of business support associations serving black SSEs, including women's organizations and those that support the informal sector;
- c) Key government officials who will be policy- and decision-makers in the fields of training, economic policy, and other areas affecting SSE development;
- d) Municipal officials responsible for communicating and enforcing by-laws and regulations;
- e) Managers of larger corporations and businesses;
- f) Staff and managers of financial institutions;
- g) Women entrepreneurs, business owners, and managers in all sectors of the economy;
- h) Staff of vocational and technical training institutes; and
- i) Members of the general public.

Proposed Training Interventions

- 6.4 The recommended training plan addresses the findings of the needs of black small-scale businesses. The strategic objective is to improve the performance of black South African small enterprises and the organizations providing them with resources. Training would be provided by those institutions in South Africa, the United States, and third countries, with relevant resources and experiences, between 1992 and 1996. Following is a description of the training objectives, target audiences, and types of training recommended to address each objective.

Proposed Training Components

- 6.5 Training components are addressed in turn, with the commensurate objective, strategic approach, and target participants.

Objective 1—To strengthen the capacity of small and informal black enterprises to take advantage of growth markets, such as construction, transportation/distribution, manufacturing, and technical services.

Strategic Approach for Objective 1

- 6.6 Elements of the strategic approach designed to meet this objective are:
- a) Support for the replication of innovative and effective programs/models that provide assistance to black entrepreneurs;
 - b) Comprehensive training and services (either directly or through linkages with other programs), unless there is a strong rationale for a selective approach;
 - c) Support for activities that target growth sectors or new opportunities for black SSEs;
 - d) Activities to encourage sustainability by seeking complementary funds from local sources and charging service fees when feasible; and
 - e) Activities to reduce barriers that block the entry of women to the priority sectors listed above.

Targeted Training Participants

- 6.7
- Owners of existing and entry-level SSEs, operating in the areas of construction, transportation/distribution, manufacturing, and technical services
 - Staff of business support organizations
 - Staff of technical and vocational training institutes

Training Components for Objective 1

- 6.8 Activities proposed to implement this objective are:
- 6.9 To establish 10 to 15 demonstration training projects with an average of less than \$200,000. The proposed project selection criteria will incorporate the strategic approach described above and address at least one of the above beneficiary groups. The project can range from one to three years, and focus on management skills and introducing management training as a component of technical training. Also recommended is specific training to help the entrepreneur avoid failure during the start-up phase, such as identifying business opportunities, locating markets, obtaining funding and supplies, analyzing cash flow, and keeping financial and other records.
- 6.10 To provide funding for the development of effective training courses, materials development, and training demonstrations for priority training needs. Such needs include identification of business opportunities; exploiting import/export opportunities; franchising, licensing, and subcontracting for SSEs. These grants should range from \$5,000 to \$50,000 depending on the course and demonstration implementation plan. Proposers must prove cost-effective delivery methods that reach target audiences. Examples of such methods include outreach through chambers of commerce and membership organizations.
- 6.11 To have USAID fund development and production of short training programs on business topics. Such programs will be for the distribution through television and radio to reach large audiences of businesspeople and entrepreneurs. Topics could include information about functional areas of SSE operations, as well as current trends and common concerns.
- 6.12 To have USAID fund a project to research constraints to black SSE participation in exploiting import/export opportunities and to identify an appropriate structure for ongoing SSE promotion in this field.

Objective 2—To strengthen the capacity of South African small business resource organizations and associations to provide services and training that effectively enable businesses to stabilize and expand.

Strategic Approach for Objective 2

- 6.13 The strategic approach recommended for Objective 2 includes:
- a) To promote the use of knowledge of appropriate models from other countries of informal and small business development;
 - b) To foster communication, networking, and reduction of duplication among support organizations;

- c) To extend services to women's groups;
- d) To advance concepts and efforts to provide self-supporting services;
- e) To foster technological advancement in training, improve training materials, and expand extension services; and
- f) To build black capacity in business training and entrepreneurial development.

Targeted Training Participants

6.14 Target groups expected to benefit from the provisions of Objective 2 are:

- Women entrepreneurs
- Staff and members of business support associations and women's organizations serving black small-scale and informal sector entrepreneurs
- Staff of vocational and technical training institutes, and other trainers, such as NGO staff and black consultants

Training Components for Objective 2

6.15 The following are recommended training components for Objective 2:

- a) Sponsoring managers and trainers from private sector resource organizations to visit business resource development programs outside South Africa and to ensure the participation of black participants.
- b) Sponsoring a national conference for the purposes of (i) providing a forum for disseminating knowledge and information obtained from visits abroad and (ii) comparing training methodologies, service delivery strategies, evaluation of services, methods of charging fees for services, and strategies for achieving project sustainability. Establishing the nature and feasibility of an association of business resource entities to serve as an interim coordinating body for SSE development in South Africa.
- c) Carrying out contract design, curriculum/materials development, and implementation of a series of training-of-trainer courses for selected NGO training staff.
- d) Deciding how to generate income through fee-based services and evaluating the effectiveness of training activities.

- e) Contracting a two-year demonstration and assessment project on interactive video. The contractor would develop illustrative materials, run regional workshops on the technology, and conduct pilot tests of private support organizations.
- f) Establishing mechanisms to support networking and information dissemination activities for SSE managers.
- g) Convening a seminar of black consultants to explore ways of improving their abilities to better serve the development of SSEs.
- h) Developing policies and procedures for 10 grants of less than \$50,000 each for extension services and small business advice centers, giving special attention to locations that are remote from large metropolitan centers.

Objective 3—To increase awareness and sensitivity of the issues affecting small-scale businesses among government and municipal officials and managers of formal business and financial institutions, and to assist these individuals in developing skills in designing and implementing policies and programs to benefit small-scale businesses.

Strategic Approach to Objective 3

6.16 The strategic approach recommended for Objective 3 includes:

- a) To promote dialogue between representatives of key civic groupings, the private sector, and other knowledgeable parties on SSE development in South Africa; and
- b) To foster understanding of factors behind successes and failures in SSE development in other countries.

Targeted Training Participants

- 6.17
- Key officials in civic groupings
 - Managers of larger businesses and corporations
 - Small-scale entrepreneurs
 - Staff of business support organizations

Training Components for Objective 3

6.18 The following components are proposed to implement the strategy for Objective 3:

- a) Providing for study tours by key officials in civic groups to observe SSE development models in other countries.
- b) Sponsoring a workshop on SSE development policy and models that brings together representatives of South African business, banking, academia, and business support organizations. The workshop should debate effective strategies for SSE development in South Africa.
- c) Providing scholarships for representatives from key black organizations to attend programs on small business development in the United States.

Objective 4—To increase the participation of black women entrepreneurs in existing and new business development activities, and to improve the performance of black women entrepreneurs.

Strategic Approach for Objective 4

6.19 The strategic approach to the realization of Objective 4 includes working with existing women's organizations to establish information-sharing networks and to assist them to gain better access to business development resources.

Targeted Training Participants

- 6.20
- Women entrepreneurs
 - Staff of business support and women's organizations

Training Components for Objective 4

6.21 Training components recommended for implementing the strategy for Objective 4 are:

- a) Contracting a networking, information dissemination, and research project for informal and small black women entrepreneurs. Such information should include a profile of their needs, the businesses they tend to frequent, and strategies for successful interventions.
- b) Contracting development of a workshop on converting cooperatives dominated by women into viable, profit-making enterprises.

Objective 5—To increase entrepreneurial awareness by supporting the introduction of education about entrepreneurship in institutions offering technical and vocational training to blacks and development of education about entrepreneurship for broad distribution.

Strategic Approach for Objective 5

6.22 The strategic approach for Objective 5 includes assisting existing vocational and technical training institutes to develop their capabilities in offering entrepreneurial training to their clients and targeted sectors of the general public.

Targeted Training Participants

- Staff of vocational and technical training institutes
- Targeted sectors of the general public

Training Components for Objective 5

6.23 The following components are recommended for implementing the strategy for Objective 5:

- a) To fund entrepreneurial awareness projects for the following targets: youth, returning refugees, the public at large, and black managers seeking to leave their corporate managerial positions to start their own businesses. This could include one- or two-day workshops as orientation to owning SSEs, which also serve as part of the screening process to identify potential entrepreneurs.
- b) To fund demonstration projects that add an entrepreneurial training component to technical, vocational, or agricultural skills training courses.

VII. Implementation Plan

This section discusses the roles to be assumed by USAID, the implementing agent, grantees, and contractors during project implementation. A blueprint for developing an implementation schedule depicting dates by which critical actions should be completed is included. The implementing agent assigned to administer the project will develop a detailed implementation schedule shortly on arrival in the field.

Role of USAID

- 7.1 The overall management of the project will be the responsibility of the Project Manager/BPED of USAID/SA. Under the project, USAID will sign a cooperative agreement with a US PVO to act as USAID's implementing agent for the project, establish project policy, and approve work plans, grant agreements, and contracts. The PVO will report to the Project Manager/BPED.

Role of the Implementing Agent

- 7.2 For the life of the project, day-to-day operations will be administered and coordinated by the implementing agent, a US PVO. This will include directing project operations, hiring, staff orientation, supervision of the procurement of supplies, managing other operational costs, and designing operational procedures and guidelines in grant administration, contract administration, personnel management, procurement of materials, and accounting.

Role of the Grantees

- 7.3 Grantees will be local South African public sector and private sector resource organizations who will receive grants for training and technical assistance programs which serve project objectives. The guidelines for the grants will be developed and administered by the implementing agent.

Role of Contractors

- 7.4 Contractors will be U.S. and South African service providers who will be awarded contracts for discrete training and technical assistance activities and services which serve project objectives. The requirements and guidelines for the contracts will be developed and administered by the implementing agent.

USAID Responsibilities

- 7.5 USAID/SA will oversee this project and will be responsible for:
- a) Establishing criteria to select and enter into a cooperative agreement with a US PVO to administer the project;
 - b) Approving an annual work plan for the PVO which will indicate major project activities and project benchmarks;
 - c) Approving guidelines and procedures for selecting grantees and contractors;
 - d) Approving all grants and contracts;
 - e) Monitoring the activities of the PVO to ensure that they conform with the project requirements;
 - f) Monitoring and reviewing regular financial and program reports from the PVO on program implementation; and
 - g) Arranging with contractors for a mid-term formative and final summative evaluation.

Responsibilities for the US PVO

- 7.6 The US PVO will be the implementing unit for the project, responsible for overall project administration and coordination, as well as:
- a) Setting up criteria and selecting proposals for grant activities;
 - b) Disseminating information about planned activities affecting the private sector;
 - c) Reviewing proposals for grant activities and making recommendations to USAID/SA for funding;
 - d) Evaluating grant performance and recommending improvements to grantees;
 - e) Setting criteria and selecting contractors to carry out specific project training and technical assistance activities;
 - f) Ensuring that project training and technical assistance activities will meet project requirements;
 - g) Coordinating with grantees and contractors for recruiting, selecting, and monitoring participants for all training and technical assistance;

- h) Liaising with the black SSE community through regular meetings with USAID/SA officials, business leaders, businesspeople, and resource organization representatives;
- i) Identifying local programs that meet project training and technical assistance requirements;
- j) Developing appropriate themes for management seminars and dialogue workshops;
- k) Negotiating and preparing grant agreements, working with the USAID/SA contracting officer, and monitoring performance and results;
- l) Processing contracts with local and overseas service providers, working with the USAID/SA contracting officer, and monitoring performance and results;
- m) Preparing an annual work plan with major activities and benchmarks for approval by USAID/SA;
- n) Identifying qualified and appropriate local and U.S. resources to be involved in private sector training and technical assistance for South African SSEs; and
- o) Developing baseline data and periodic assessments of training and technical assistance results.

7.7 In all of these tasks, the US PVO will coordinate closely with USAID/SA. In addition, the US PVO will be responsible for the preparation of Scopes of Work and PIO/Ts, if necessary, to fund training and technical assistance activities, the preparation of PIO/Ps to fund external participant training, and the preparation of PIO/Cs to procure necessary training equipment for private sector resource organizations to enable them to mount certain training activities.

Grant and Contract Procedures

7.8 The procedures of granting and contracting, in the context of this report, are characterized by:

- a) Requirements for competition;
- b) FAA Section 611(a);
- c) Obligation authorities;
- d) Procurement;
- e) Covenants; and

- f) Grantee and third-party contributions.

Activity Schedule

7.9 The following illustrative schedule shows the project's major implementation actions and the party responsible for each activity. This process will be repeated each year for the 5 years of the project:

- a) Action: Prepare RFA documentation
Completion Date: _____
Responsibility: USAID/SA
- b) Action: Request RFAs from US PVOs
Completion Date: _____
Responsibility: USAID/SA
- c) Action: Select US PVO as implementing agency
Completion Date: _____
Responsibility: USAID/SA
- d) Action: Establish project office in South Africa, recruit staff
Completion Date: _____
Responsibility: IA
- e) Action: Prepare annual work plan for year one
Completion Date: _____
Responsibility: IA
- f) Action: USAID/SA approves work plan
Completion Date: _____
Responsibility: USAID/SA
- g) Action: Prepare guidelines and procedures for grants and contracts
Completion Date: _____
Responsibility: IA
- h) Action: Approve guidelines and procedures for grants and contracts
Completion Date: _____
Responsibility: USAID/SA

- i) Action: Stage project implementation workshops; publicize project requirements and grant guidelines and solicit grant proposals
Completion Date: _____
Responsibility: IA

- j) Action: Identify contract service requirements and contractors and solicit bids
Completion Date: _____
Responsibility: IA

- k) Action: Conclude grant agreements for first year
Completion Date: _____
Responsibility: IA and USAID/SA

- l) Action: Award contracts for first year
Completion Date: _____
Responsibility: IA and USAID/SA

Monitoring and Evaluation

7.10 Because many data and information needs fulfill dual functions, monitoring and evaluation arrangements are discussed together in this text. Gender desegregated data will be collected in all cases to allow USAID to monitor the impact of the project on women. The USAID/BPED/Project Manager will be responsible for overall project monitoring in collaboration with other appropriate management and technical officers in the Mission. The Project Manager will maintain continuous liaison with the implementing agent, the pertinent regional programs, and the USAID/Washington Africa Bureau. The Project Manager will serve as the main contact between the appropriate fiscal, legal, and administrative offices of USAID/SA to ensure accurate and complete reporting for the Mission and USAID/Washington.

Reporting Requirements

7.11 The implementing agent will be required to submit the following reports to USAID/SA, beginning with the effective date of the contract:

- a) Semi-annual progress reports summarizing all actions which have taken place, and
- b) Quarterly financial reports summarizing all financial activities in the project during the given period.

Special Studies

7.12 During the early months of the first contract year, studies of private sector training needs will have been conducted as part of development of the in-country training strategy.

The implementing agent, in conjunction with USAID/SA, may determine that other studies are required during the course of the project, for example, the prospects of black SSE growth in the agricultural and tourism sectors.

Evaluations

7.13 The project includes arrangements for evaluations in addition to monitoring and detailed reporting. There will be a mid-term formative evaluation during year three and a summative evaluation during the last year of the project.

Formative Evaluation

7.14 The mid-term evaluation will concentrate on process variables in order to assess the necessity of modifying the project plan and implementation, or specified performance tasks and/or functions of the responsible parties. This evaluation will be conducted by

an independent consultant during the third year of implementation. The evaluation will also be concerned with the results of activities addressing each project objective.

Summative Evaluation

- 7.15 During the fifth and final year of the project, an independent consultant shall conduct a summative evaluation. This evaluation will describe the impact of the project activities on the project's purposes and on the performance of black SSEs and SSE resource organizations in South Africa.

Appendix A

PRIVATE & CONFIDENTIAL

BUSINESS TRAINING NEEDS

**FINDINGS FROM A SURVEY OF TRAINING
NEEDS AMONG BLACK SOUTH AFRICAN BUSINESSES**

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I. BACKGROUND

This document is a descriptive summary of survey findings from a quantitative study of constraints and training needs of black-owned small sector enterprises operating within the South African economy. The study was commissioned by Labat-Anderson, Inc on behalf of USAID. The design and structure of the survey also sought to update pertinent information supplied by previous USAID-sponsored surveys on aspects of the black South African private sector. The implementation of field work, analysis and interpretation of data took place during the last quarter of 1991.

The current document provides descriptive comments about key survey findings. The descriptive comments are complemented with combined tables of data from the four segments of the study. Interpretive comments and conclusions appear at the end of each major section. Some of the descriptive presentations of survey data include interpretative comments which are added to provide full and comprehensive analysis of specific survey findings.

The presentation of the tabulated data takes three different formats. Thus, percentage data based on total number of respondents add up to 100%. Tabulated presentation of data derived from multiple answers and spontaneous comments based upon open-ended questions do not always add up to 100%. These discrepancies are pointed out throughout the descriptive summary report. Furthermore, the detailed tabular report has been adjusted to accommodate these differences.

1. SURVEY OBJECTIVES

During the second half of 1991, Consumer Behaviour (Pty) Ltd was awarded a research contract, by Labat-Anderson Inc, to gather and analyze information on black entrepreneurs' perceptions of constraints to establishing and developing private enterprises as well as provision of training and allied support for black businesses in South Africa. Field work for the survey took place during October-November.

In more detail the survey sought to conduct a detailed analysis of the following:

- the establishment of profiles (types/sizes) of enterprises operating in the primary sectors of the black South African private sector i.e both formal and informal;

- the perceptions of constraints to the formation and development of viable enterprises within the black private sector i.e factors and circumstances currently working in favour of or against the establishment of certain types of businesses in the different parts or regions of South Africa's major metropolitan areas;
- the perceived constraints to the provision of relevant and suitable training/development and counselling programs to black entrepreneurs operating in the formal/informal sectors. The survey was required to identify existing training/development programs currently being offered by different types of organizations, corporations, institutions, and so forth; and
- the perceptions of black private sector organizations and trade groups regarding their role in the empowerment of formal and informal businesses, their owners and staff.

2. SURVEY METHODOLOGY

The survey was conducted through the Questionnaire Survey method based on a structured research instrument. The study used four separate questionnaire designed to meet the needs of specific categories of black enterprises operating in both the formal and informal sectors viz:

Formal Sector Enterprises

- (i) Current or Existing Businesses
- (ii) Lapsed or Failed Businesses
- (iii) Prospective Businesses

Informal Sector Enterprises

Existing enterprises

Each questionnaire consisted of closed and open-ended questions and took approximately 1 hour and 45 minutes to administer. All aspects of the questionnaires were handled by trained researchers with considerable experience in questionnaire survey techniques. The questionnaire was administered in English and/or the language of the respondent viz. Zulu, Xhosa, Sotho, etc.

Each research worker was required to translate into English information which was offered in the indigenous languages. These translations were reviewed and amended by the field supervisor. The translation of responses into English may have introduced some interviewer bias into the survey data. However, these biases are not significant.

3. SURVEY SAMPLE

In spite of the problems described above, all aspects of the survey sample were satisfactorily fulfilled. A total of 425 questionnaires was completed. An additional 32 interviews were conducted to offset interviewer/interviewee biases that may have been introduced by one or more of the problems described above.

Table 1 provides details of the overall sample. Comments on the sample make-up are included in the descriptive summary of the findings.

TABLE 1(a) DEMOGRAPHIC PROFILE

BASE	FORMAL SECTOR			INFORMAL
	CURRENT	LAPSED	PROSPEC- TIVE	SECTOR
	225	64	53	115
	100%	100%	100%	100%

<u>AGE</u>				
18-24	6	-	8	9
25-34	25	3	45	26
35-49	40	31	26	30
50+	28	59	9	33
No response	*	6	11	3

<u>SEX</u>				
Male	67	80	57	57
Female	33	20	43	43

<u>ETHNIC GROUP</u>				
African	93	92	94	97
Indian	5	2	2	2
Coloured	2	6	4	1

<u>EDUCATION</u>				
None	-	5	-	*
Some Primary	2	6	11	*
Full Primary	6	16	9	*
Some Secondary	34	28	25	*
Full Secondary	8	23	23	*
University Degree/Diploma	26	16	23	*
No response	2	6	9	*

* = not asked

In terms of geographic distribution, the PWV region accounted for 44% of the overall sample while the other areas were represented as follows - Greater Durban (18%), Eastern and Western Cape (23%), and Bloemfontein and Botshabelo (13%).

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Table 1(b) GEOGRAPHIC LOCATION

	FORMAL SECTOR		PROSPECTIVE	INFORMAL SECTOR
	CURRENT	LAPSED		
BASE	225 100%	64 100%	53 100%	115 100%
PWV	45	55	58	45
Johannesburg	20	44	9	15
Pretoria	13	-	-	9
East Rand	4	9	30	12
West Rand	5	2	19	-
Vaal Triangle	3	-	-	9
GREATER DURBAN	18	16	8	25
CAPE	23	24	22	22
Port Elizabeth	8	16	9	4
East London	7	3	4	14
Cape Town	8	5	9	4
GREATER BLOEMFONTEIN	13	6	11	9

Technical research details are provided in the planning document entitled "Proposals for a Qualitative Assessment of Constraints to Black Business Development in South Africa".

4. PROBLEMS ENCOUNTERED DURING FIELD WORK

Commencement of the survey field work coincided with the outbreak of a rash of nation-wide civic and political demonstrations, unrest and protest action. All major black communities covered in the survey sample experienced one or more of the civic/political problems mentioned above. The developments have had direct and indirect impact on aspects of the research findings. For instance:

- these political events delayed the completion of the field work by two and a half weeks;
- they have influenced responses towards issues relating to taxation, more particularly, the highly controversial Value Added Tax (VAT) which provoked a national general strike which was observed by millions of South Africans of all race groups;

- the outbreak of political violence and general crime targeted against black businesses made certain townships and/or businesses inaccessible. Indeed most of the businesses taking part in the overall survey claimed to have been direct or indirect victims of township violence, crime and intimidation;
- the unavailability of certain categories of businesspersons made it impossible for the field work team to comply with certain sampling requirements. For instance, respondents for the Lapsed Entrepreneurs sub-sample were drawn largely from the Greater Johannesburg and Greater Durban areas because these entrepreneurs were not readily available in other areas; and
- in some instances respondents declined to answer certain questions for fear of incriminating or endangering the safety of their businesses. This also prolonged the field work verification process by three weeks - as most respondents either declined to confirm or deny their ever participating in the Survey Questionnaire. The problem of verification was overcome through the personal intervention of the Project Leader who had to contact, by telephone or in person - 20% of respondents who had participated in the survey.

II. DETAILED DISCUSSION OF SURVEY RESULTS

1. PROFILE OF BLACK BUSINESSES

Findings from the survey point to a rather large concentration of black South African private sector enterprises in the retail, service, and food processing (non-manufacturing) area. In recent years, the food and service sectors have witnessed substantial growth as large numbers of black entrepreneurs took up fast food franchises whilst others provided services in book-keeping/accounting, public relations/promotions, and business/marketing consulting.

TABLE 2. TYPES OF BUSINESS ACTIVITIES

BASE	FORMAL SECTOR			INFORMAL SECTOR
	CURRENT	LAPSED	PROSPECTIVE	
	225	64	53	115
	100%	100%	100%	100%
Retail/wholesale/ distribution	44	41	25	37
Services/law/consulting/ medicine	25	13	36	33
Food Processing	11	20	13	3
Light Manufacturing	8	5	6	16
Building/construction	5	6	4	1
Transportation	4	3	15	3
Recreation/sports/enter- tainment	3	12	2	-
Agribusiness	*	-	-	2

* = less than 0.5%

2. CATEGORIES OF BUSINESSES (REGISTRATION)

TABLE 3(a). MODE OF BUSINESS FORMATION OR REGISTRATION

BASE	FORMAL SECTOR			INFORMAL SECTOR
	CURRENT	LAPSED	PROSPECTIVE	
	225	64	53	115
	100%	100%	100%	100%
Privately owned	74	73	61	86
Private partnership	12	11	13	*
Franchise	6	8	19	*
Mixed public/private ownership	5	8	8	*

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TABLE 3(b). MODE OF BUSINESS FORMATION OR REGISTRATION

	FORMAL SECTOR			INFORMAL SECTOR
	CURRENT	LAPSED	PROSPECTIVE	
BASE	225	64	53	115
	100%	100%	100%	100%
Sole Owner	56	67	*	77
Partner	17	19	*	11
Employee	14	-	*	3
Relative	8	-	*	4
Not specified	4	14	*	5

Close Corporation	39	11	43	-
Proprietary Limited	14	22	13	-
Limited Company	2	2	2	-
Non-Profit Organization	1	3	-	-
Other/Cooperative	44	60	2	100
Don't know/no answer	2	2	2	-

* = not applicable

Most of the formal businesses are privately or family-owned (74%) whilst two thirds of all informal sector undertakings are sole ownership (86%). Privately owned businesses also represent, by far, the highest proportion of failed enterprises which were involved in the retailing of food stuffs (groceries/fast foods/meat) and video/music. Private partnerships are most popular in the service sector - and include providers of professional services such as accounting/book-keeping, legal, medicine/health care and marketing consultancy.

The absence of medium-sized to large enterprises operating in sectors other than the micro-formal sector is underscored by the rather low incidence (5%) of mixed public and privately owned businesses - Some of the mixed public/private sector undertakings (8%) became insolvent in recent months.

A high proportion of failed businesses were sole ownerships (34%). This finding should be read against the relatively high proportion of multiple ownership of small retail and service businesses by single sole owners (35%) as shown in Table 3.

The legal statuses of a large proportion of formal and informal businesses were not clearly defined by the respondents (see Table 3). However, a few of the enterprises were classified as cooperatives. Further, 44% of respondents in the formal sector did not know the legal format under which their companies were registered.

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The most common methods of registration are the Close Corporation (CC) and Proprietary Limited ((Pty) Ltd) routes. For instance, 39% and 14%, respectively, of existing formal sector businesses were registered as CC or (Pty) Ltd. Limited or publicly owned companies are not common in the black private sector - only 2 enterprises were registered under the legal title of Limited company.

3. NUMBER AND TYPES OF BUSINESSES OWNED

A large proportion of both formal and informal businesses are owned by a single individual. However, retailers tend to own more than one business. The rate of business failure is directly linked to the number of businesses owned and/or managed by sole owners. In other words, entrepreneurs who expand their businesses by owning more than one operation tend to experience serious (operational/resource) problems which result in insolvency.

TABLE 4(a). BUSINESS OWNERSHIP - NUMBER AND TYPE

BASE	FORMAL SECTOR			INFORMAL
	CURRENT	LAPSED	PROSPEC- TIVE	SECTOR
	225	64	53	115
	100%	100%	100%	100%

Number of Businesses Owned				
	40	42	30	86
1	24	22	2	
2	5	3	-	
3	6	9	2	
4+				

TABLE 4(b). TYPES OF BUSINESSES OWNED

BASE	FORMAL SECTOR			INFORMAL
	CURRENT	LAPSED	PROSPEC- TIVE	SECTOR
	225	64	53	115
	100%	100%	100%	100%

Retailing/wholesale	20	33	9	37
Transport/taxi	7	5	-	3
Garage/parts/repair	3	-	2	*
General repairs service	3	6	2	*
Catering	2	-	6	*
Hairdressing	2	3	2	*
Manufacturing	2	-	2	16
Professional service	2	-	-	*
Building/construction	1	-	2	1
Agribusiness	-	-	-	2

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Dry Cleaning	-	3	2	-
Other	8	13	9	-

* = includes various types of services

Note: data based on ownership of two or more businesses

Respondents owning more than one business were asked to describe the type and/or sector in which it or they operate. Formal sector respondents who owned two or more businesses were involved in running businesses which operated in sectors such as food processing, retailing/wholesaling, and services. However, their existing businesses were also involved in similar sectorial activities i.e retailing, services, and food processing. Therefore, black formal enterprises achieve business growth through the duplication of existing businesses. Therefore, retailers tend to add acquire more retail outlets rather than diversify into lesser familiar sectors.

Among informal sector operators, the tendency is to own one business - largely in the retailing and light manufacturing. However, it should be pointed out that some of the formal sector operators viz. retailers also extended their business activities into the informal sector. This is a deliberate attempt to contain competition from informal enterprises which are often established in front of or adjacent to existing formal retail outlets.

4. EMPLOYMENT LEVELS

Current businesses operating in the formal sector employ three times as many staff as their informal counterparts. However, failed businesses operating in the food processing sector employed five times as many employees. Employment in both formal and informal businesses is slightly biased in favour of males - this is particularly true among failed businesses.

TABLE 5. NUMBER OF EMPLOYEES

BASE	FORMAL SECTOR			INFORMAL SECTOR
	CURRENT	LAPSED	PROSPEC- TIVE	
	225	64	53	115
Men - full time	4.4	6.5	*	1.4
Men - part time	0.6	0.9	*	0.2
Women - full time	3.7	4.9	*	1.0
Women - part time	0.3	1.5	*	0.2

Survey findings reveal that the black informal sector generate less employment than its formal counterpart. The majority of informal enterprises employ one or two persons - and the second person is often employed on a part-time basis. Further, the part-time assistant tends to be a relative who is required to stand in for the owner of the business. It should be pointed out that the construction of the survey sample did include large sectors of informal enterprise generally dominated by women i.e hawkers and vendors of fruit, vegetables, beverages and prepared food.

5. BUSY BUSINESS CYLES

A section of the informal sector questionnaire sought to establish the extent to which enterprises in this sector are affected by periodic fluctuations i.e seasonal, monthly or weakly factors. On a weekly basis, the volume of business rises towards and during week-ends viz Thursday through Saturday. For most businesses, the busiest days of the week are Friday, Saturday and Monday - in that order. Further, the last and first weeks of the months are busiest - 71% and 18%, respectively.

The survey results did not find any strong seasonal biases among the vast majority of informal sector enterprises. However, the volume of business rises during November and December. In other words, the last quarter of the year (23%) witnesses significant growth in the volume of business. The first and second halves of the year - including winter months - tend to be slow for most informal businesses.

In keeping with the foregoing analysis, the majority (51%) of informal operators spend less than a day per week away from their enterprises. A third of the entrepreneurs take a day off each week. Those who take time off their businesses, during week days, tend to use the time to settle accounts (57%), attend to family matters (29%), or take a break (17%). It is interesting to note that 15% of the respondents - mainly from the service sector - use their spare time attending training courses.

6. TRENDS IN ENTERPRISE FORMATION

TABLE 6. ENTERPRISE FORMATION: YEAR FOUNDED

BASE	FORMAL SECTOR		INFORMAL
	CURRENT	LAPSED	SECTOR
	225	64	115
	100%	100%	100%

Before 1970	9	-	6
1970 - 75	10	36	4
1976 - 80	11	16	7
1981 - 85	21	16	18
1986 - 90	44	20	50
1991	10	11	15

The trend towards the formation of new businesses has grown steadily since the beginning of the 1980's. Prior to 1975, formal and informal black businesses witnessed limited business growth. This trend was directly influenced by the rigid application of restrictive laws and regulations which limited new business formation as well as restricting ownership of enterprises on the basis of "one man one business". Until 1989, black women were discouraged, through restrictive regulations and red-tape, from owning businesses within the formal economy.

It is interesting to note that a significant proportion of enterprises that went insolvent had been established during the first half of the 1970's (36%). These businesses do not appear to have been well equipped to handle the current pace and pressures facing black businesses as a whole.

The increase in the number of new formal/informal enterprises rose in the 1986-1990 period: 44% and 50%, respectively. However, this period also witnessed one of the highest closures of formal black businesses (20%). The removal of stringent and restrictive regulations against black business brought about an even more rapid formation of new businesses within the informal sector.

7. FOUNDERS OF NEW ENTERPRISES

TABLE 7. ENTERPRISE FORMATION: FOUNDER OF BUSINESS

BASE	FORMAL SECTOR			INFORMAL SECTOR
	CURRENT	LAPSED	PROSPECTIVE	
	225	64	53	115
	100%	100%	100%	100%
Self	52	61	72	84
Relative	15	8	8	8
Partnership	13	23	13	-
Previous owner	8	-	4	3
Government agency	3	-	-	-
Other/someone else	8	6	4	4

The vast majority of formal/informal businesses were founded by their current owners i.e 52% and 84% among current formal and informal businesses, respectively. Among formal sector enterprises, relatives and partners are significant contributors towards creation of new enterprises. However, proportionately, more of the partnerships thus formed, perish during their formative years (23%). The practice of business take-over is almost unheard of in the black private sector - only 8% and 3% of formal and informal enterprises respectively, were take-overs from previous owners.

Government agencies (parastatals/municipalities) play virtually no part in the formation of black businesses. In other words, government agencies are seldom involved even as joint-venture partners in the black sector of the economy. Only 3 businesses in the service sector (retailing of petrol/liquor) were started by some government agency.

8. MOTIVATION FOR STARTING NEW ENTERPRISES

TABLE 8. MOTIVATION FOR STARTING OWN BUSINESS

BASE	FORMAL SECTOR			INFORMAL SECTOR
	CURRENT	LAPSED	PROSPECTIVE	
	225	64	53	115
	100%	100%	100%	100%
Desire for independence	25	23	21	23
Challenge	19	8	13	13
Saw gap in market	16	13	19	17
Experienced in business	8	8	2	21
Interest in type of business	3	17	34	41
Serve my community	8	3	4	4
Inherited the business	7	9	2	6
To make money	7	-	-	29

Trained for business	7	-	-	7
Retrenched/first job	5	-	-	18
Saw others making a success	5	-	-	8
Born with talent	4	-	-	11
Encouraged by friend/relative	1	9	4	18
No response	3	9	2	2

The majority of formal and informal businesspersons were motivated to start their own enterprises by factors such as desire for independence, propensity for challenge, and new opportunities in the marketplace. One of the major differences to emerge between formal and informal business operators revolves around the extent to which they are prepared to follow their personal interest in a particular line of business.

Forty one per cent of informal entrepreneurs cite personal interest in the existing business as the single most important factor which led to the formation of the enterprise. This factor was also cited by 34% of prospective entrepreneurs as the single most important source of motivation for wanting to start a new business. Conversely, only 3% of formal business owners consider personal interest in business an important asset.

Further, 29% of informal businesspersons were not shy to state that their basic motivation for going into business was to make money whilst only 7% of their formal counterparts readily acknowledged this desire. Another significant difference between the two types of business owners is exemplified by the fact that 21% of informal entrepreneurs use personal experience to guide them into new business formation. An equal number of formal and informal businesspersons (7%) claimed to have received training for their current line of business.

Other important motivators cited by informal sector operators include the role or influence exerted by friends/relatives, retrenchment/loss of employment, and belief in own talent. Entrepreneurs driven into the informal sector due to retrenchment/job loss tend to opt for service businesses (e.g retailing) which do not require a great deal of funding, formal training or complex/sophisticated management and administration.

Among failed entrepreneurs, key motivators for going into business include desire for independence, interest in type of business, and capacity to take advantage of an opportunity gap in the market. An almost identical proportion of both lapsed and current formal entrepreneurs had inherited their businesses. Similarly, they had limited experience in the types of businesses they were involved in.

9. PREVIOUS OCCUPATIONS OF NEW ENTREPRENEURS

TABLE 9. PREVIOUS OCCUPATION

BASE	FORMAL SECTOR		INFORMAL
	CURRENT	LAPSED	SECTOR
	225 100%	64 100%	115 100%
Teacher/journalist	8	-	*
Labourer	7	17	16
Student/scholar	7	-	6
Shop assistant/	6	6	4
Trader/entrepreneur	6	9	2
Clerk/secretary/	5	-	7
Professional service	5	11	*
Manager/owner	3	-	*
Hairdresser	*	3	2
Taxi owner	3	-	4
Dressmaker/tailor	2	3	6
Personnel supervisor	2	-	-
Taxi driver	2	3	*
Community worker	2	.	*
Sportsperson	*	-	*
Builder/engineer	1	-	1
Doctor/health worker	1	3	-
Dry cleaner	1	-	2
Sales person/retailer/hawker	1	-	10
Policeman/soldier	1	-	*
Handyman	-	3	2
Restaurant/caterer	-	5	-
Unemployed	-	5	6
Automotive worker/ mechanic/petrol attendant	-	6	3
Photographer	-	6	*
Other	3	14	30

* = less than 0.5%

Problems associated with shortage of relevant, adequate and first-hand business experience are illustrated in data contained in tables. More specifically, black entrepreneurs go into business without the benefit of prior experience. Although informal sector operators claim to have more experience than their formal counterparts, their experience proves to be shallow and limited to menial tasks.

In other words, the majority of black entrepreneurs leave their formal employment without the benefits of advanced experience in the more sophisticated or involved managerial functions. A large proportion of entrepreneurs (17% lapsed and 16% informal) were previously employed labourers.

The second largest category of formal sector entrepreneurs was previously employed as vendors of professional services whilst 10% of the informal operators had been engaged as sales assistants/retailers/hawkers. Another important previous occupation among formal entrepreneurs was the teaching/journalism profession.

10. SOURCES OF FUNDING FOR NEW ENTERPRISES
TABLE 10. SOURCES OF FUNDING NEW ENTERPRISES

BASE	FORMAL SECTOR		INFORMAL	
	CURRENT	LAPSED	PROSPEC- TIVE	ECTOR
	225	64	53	115
	100%	100%	100%	100%

Personal funds	55	45	47	76
Funds from business partners	8	14	15	5
Funds from family/friends	7	5	11	11
Loans from informal credit sources	8	-	4	2
Loans from banks/finance organization	17	23	17	3
Funds from another business	2	-	4	2
Inherited funds	3	13	2	3
Other	1	2	-	-

Reliance on personal funds is the only logical alternative for people who have little or no access to formal lending institutions. The majority of black businesses represented in the survey were established through personal funds. This trend is common among entrepreneurs operating in the major business sectors as well as in urban black communities. Institutions are, however, more willing to fund traders operating in the service sector viz. fast food/restaurant and general retail/wholesale.

Survey data show that lending institutions are relatively more active in the PWV and Bloemfontein/Botshabelo but are not too keen to fund formal/informal black enterprises operating in such areas as Eastern/Western Cape and the Greater Durban area. Both formal and informal entrepreneurs also rely upon funding from family/friends, informal credit sources (stokvels and loan sharks), as well as funds drawn from another business or business partners. The latter source is most attractive among lapsed entrepreneurs and prospective entrepreneurs.

This explains, in part, why so many existing black businesses operate with limited cash-flow. More specifically, a large proportion of prospective entrepreneurs planning to start new businesses had already earmarked funds from their existing businesses and/or partners. It is also interesting to note that a significant proportion of lapsed businesses (13%) used inherited funds.

11. USAGE OF PROFESSIONAL SERVICES

TABLE 11. TYPES OF PROFESSIONAL SERVICES USED

BASE	FORMAL SECTOR		INFORMAL
	CURRENT	LAPSED	SECTOR
	225	64	115
	%	%	%
-----	-----	-----	-----
Book-keeper	65	42	24
Chartered accountant	24	5	3
Lawyer	16	2	3
Tax consultant	9	-	-
Marketing consultant	2	-	-
Advertising/promotion agency	1	-	-
Other	4	-	-
None	14	33	67
-----	-----	-----	-----

A large proportion of formal and informal businesses use the services of financial experts viz. book-keepers and chartered accountants. This trend to engage external financial and legal consultants has been accentuated by changes in statutory requirements i.e the imposition of General Sales Tax (GST) and later replaced by Value Added Tax (VAT).

Further, during their formative stages, most formal and informal businesses require the support of financial (chartered accountants) and legal experts to assist with the formalization and/or registration of the undertaking. The relatively high usage of lawyers among current formal businesses is most prevalent in the PWV region and is spread across all sectors of business. However, lapsed as well as informal businesses seldom use legal services.

Book-keepers are most frequently used by informal enterprises as well as businesses experiencing serious financial problems - 42% of lapsed businesses used book-keepers as opposed to chartered accountants. Other services used by some formal businesses include tax and marketing consultants as well as promotional agents. These three types of services are unheard of among lapsed and prospective (formal) as well as informal undertakings.

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12. MEMBERSHIP OF BUSINESS ORGANIZATIONS

TABLE 12. MEMBERSHIP OF BUSINESS ORGANIZATIONS

	FORMAL SECTOR			INFORMAL SECTOR
	CURRENT	LAPSED	PROSPEC- TIVE	
BASE	225	64	53	115
	100%	100%	100%	100%

Paid-up member	43	39	13	24
Lapsed member	4	-	-	2

Not a Member	44	63	28	68
Don't Know/*	8	-	59	5

Type of membership	%	%	%	%
Paid-up member	43	39	13	24

Local Chamber of Commerce/ Taverners' association	23	16	2	10
SBDC	2	20	-	2
NAFCOC	8	9	-	1
FABCOS/SABTA	4	-	3	-
Professional group	7	8	-	-
ACHIB/AHBA (Hair dressers')	-	-	-	2
Other	4	5	4	5

Most black businessmen/women do not belong to a business organization - the proportion being higher among informal sector entrepreneurs where 68% are non-members. The proportion of current formal business owners who maintain active (paid-up) membership is only 43%. Those participating in formal/informal organizations tend to join local chambers of commerce and taverners' associations - 23% and 10%, respectively.

Get Ahead Foundation, ACHIB, Black Management Forum, ABASA (Association for Black Accountants), and Business Challenge were among organizations which received low mentions from respondents taking part in the survey. This is largely influenced by the sample composition i.e none of the black business organizations mentioned draw membership from all the sectors covered in the survey.

13. BENEFITS/SERVICES RECEIVED FROM ORGANIZATIONS

TABLE 13. SERVICES/BENEFITS RECEIVED FROM ORGANIZATION

Type of membership	FORMAL SECTOR		PROSPEC- TIVE	INFORMAL
	CURRENT	LAPSED		SECTOR
	%	%	%	%
Paid-up member	43	39	13	24
Represents/defends our interests	14	20	4	10
Education/training/seminars	9	5	6	7
General advice/legal help/information	9	-	-	4
Share experiences/networking	6	14	2	-
Buying group/discounts	6	5	2	4
Trade journal/magazine	3	-	-	-
Business opportunity	3	-	-	-
Loans/finance	2	-	-	-
Business opportunities	-	10	-	-
Other	1	5	-	2
Nothing/no benefits	7	-	-	2
Negative response	58	63	87	77

Participation in local business organizations is motivated by the need to be represented and/or protected by the organization. The overall weakness among all black business support organizations revolves around their inability to satisfy the growth needs of their members i.e training, education and seminars.

Owners of failed businesses were the most avid users of organizational services such as representation, networking, and exploitation of business opportunities. To reiterate, all major black business organizations do not seem to be offering their members any one particularly strong benefit. This explains, in part, black entrepreneurs' apathy towards their own organization.

III. ANALYSIS OF CONSTRAINTS AND BUSINESS PROSPECTS

1. BUSINESS PROSPECTS AND EXPECTATIONS (3-5 YEARS)

Survey findings provide ample illustration of constraints and hardships currently impinging upon the smooth operation of black businesses. Half the number of current formal sector businesses represented in the survey (51%) consider their businesses to have fared better than last year. The rest (42%) of current business owners consider business prospects to be either similar (18%) or worse (24%) than last year.

Among informal sector operators there was a direct reversal of perceptions about business success: 52% rated their business less successful whilst 42% recorded slight to "much better" success over the previous 12 months.

TABLE 14. SUCCESS OF BUSINESS COMPARED TO LAST YEAR

BASE	FORMAL SECTOR 225 %	INFORMAL SECTOR 115 %
Much better	22	12
Slightly better	29	30
About the same	18	20
Slightly worse	14	20
Much worse	10	12

2. PROBLEMS EXPERIENCED DURING LAST 12 MONTHS

Much of the pressure currently being experienced by black businesses is directly attributable to deteriorating economic and social conditions. The prevailing nationwide spiral of violence, theft and unrest has had a devastating impact on overall black business confidence. As in previous cycles of civic/political and economic decline, existing businesses have carried the bulk of current socio-economic and political problems.

For instance, they have not been spared from absorbing the full impact of township violence, escalating crime as well as disruptions flowing from civic/political activism (unrest/boycotts). Poor economic circumstances have also exacerbated the management and smooth operation of current formal businesses i.e strong competition, staff reliability/morale,

Lapsed businesses cited both violence/crime and civil unrest among some of the serious problems that contributed towards their demise. Two major sources of pressure for lapsed businesses emanated from financial/cash flow problems (36%); unreliable/unskilled staff and/or relatives (30%) - whose negative contribution resulted in shrinkage/stock losses; poor management (28%); and strong competition (23%).

Whilst they have remained relatively unscathed by politically motivated problems unrest/boycotts, informal businesses have not been successful in avoiding township violence, crime and inter-group violence such as the taxi wars of the Western Cape and PWV regions. By their very nature, informal undertakings have always enjoyed a measure of protection against politically motivated campaigns such as consumer boycotts, protest marches/demonstrations and stay-away. Unlike their formal counterparts, informal businesses have tended to enjoy protection from civic/political activism.

Specific problems which contributed towards the under-performance of informal businesses included violence, (18%), lack of capital/equipment (13%) and facilities/services including transport/deliveries (10%), premises/high rental (8%).

TABLE 15. PROBLEMS EXPERIENCED IN PAST YEAR

	FORMAL SECTOR		INFORMAL SECTOR
	CURRENT	LAPSED	
BASE	225	64	115
	100%	100%	100%

Social Problems			
Violence/robbery/taxi wars/pilfering	29	20	18
Unrest/boycotts/arson	11	13	3

Economic Problems			
Recession/weak economy	16	11	12
Strong competition	10	23	10
Unskilled/unreliable staff/relatives	10	30	5
Financial problems/cash flow	8	36	4
Inflation	8	8	5
Lack of capital/equipment	2	-	13
Unemployment/no spending power	6	-	5
VAT/taxes	3	-	1

Internal/Business Problems			
Poor management	-	28	-
Products/services obsolete	-	14	-
Stock control/shrinkage	2	11	-
Lack of space/premises/high rent	2	5	8

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Credit control/loss	3	-	5
Lack of financial control	-	5	-
Lack of transport/deliveries	-	-	10
High costs raw materials/no bulk buying facilities	4	-	4
Customers don't collect goods/return goods	3	-	4
Technical problems with machines	2	3	4

3. BLACK BUSINESS EXPECTATIONS (NEXT 12 MONTHS)

Most formal and informal businesses are optimistic about future business prospects. Current formal (46%) and informal (38%) business owners who expect "much better" business prospects, pin their hopes on growing market or consumer support; economic improvement and increasing business reputation/goodwill.

Informal entrepreneurs (39%) expecting "slight" improvement in the overall business environment believe the vehicle for such improvement lies in the economic recovery; better established businesses, and growing market/customer support. These expectations are also shared by formal business owners.

TABLE 16. EXPECTATIONS ABOUT FUTURE

BASE	FORMAL SECTOR 225 100%	INFORMAL SECTOR 115 100%
Much Better	46	38
Market growing/more customers	22	14
Economy improving	11	8
Good/growing reputation	8	10
Political changes/sanctions are going	8	4
Will pay more attention/ effort in future	8	-
Expanding business	4	-
Better stocks	2	4
Making profits	-	4

Slightly Better	25	39
Economy improving	8	10
Market growing/more customers	5	9
Better established	4	10
Sanctions going	2	3
More finance available	2	2
Family help/staff improving	2	-
Better profits	-	2
Making profits	-	4
About the Same	12	5
Problems will remain	8	3
Nothing will really change	4	4
Economy will stay the same	1	-
Slightly Worse	5	5
Recession/weak economy	2	3
Unemployment	1	1
Violence/unrest	-	2
Much Worse	8	11
Unemployment	3	3
Unrest/violence	1	3
Recession/weak economy	3	4

Those who expect prevailing problems to persist believe that things will generally remain the same i.e existing problems will continue to undermine their businesses. In the main, both formal and informal business owners do not expect massive improvement regarding the resolution of social problems which have contributed to township instability, violence and so forth.

4. FUTURE BUSINESS PROBLEMS (NEXT 12 MONTHS)

TABLE 17. FUTURE PROBLEMS

BASE	FORMAL SECTOR	INFORMAL	
	CURRENT	PROSPEC- TIVE	SECTOR
	225 100%	53 100%	115 100%
VAT/taxes	12	-	8
Violence/robbery/taxi wars/ pilfering	11	11	8
Unemployment/no spending power	11	-	8
Strong competition	9	26	5
Recession/weak economy	8	-	5
Inflation	7	-	6
Lack of transport/deliveries	6	-	5
Unrest/boycotts/arson	5	6	3
Financial problems/cash flow	5	6	4
Lack of capital/equipment	5	8	4
Lack of financial control	-	-	5
Unskilled/unreliable staff/relatives relatives	4	11	5
Lack of space/premises/high rent	2	8	11
Credit control/loss	2	-	-
High costs raw materials/no bulk buying facilities	-	-	-
Stock control/shrinkage	1	-	-
Customers don't collect goods/return goods	1	-	-
Technical problems with machines	2	-	3

A follow-up item in the survey questionnaire sought to verify respondents' perceptions about problems likely to confront their businesses over the next 12 months. All three groups of business owners mention similar problems - the most common being violence/theft. In this sense, black entrepreneurs did not have much confidence in the political leaders' capacity to help reduce the prevailing levels of violence, crime and anarchy.

Existing formal business owners are concerned about the current negative economic climate. They expect recession-linked problems to continue affecting their businesses i.e. unemployment, recession/weak economy, and inflation. At the same time, this group is particularly concerned about the negative impact of VAT/taxes on their businesses. Existing formal sector entrepreneurs appear to have taken seriously the economic damage that will derive from the introduction of VAT. In fact, current formal business owners consider VAT

to be the single most serious problem facing their businesses in the next 12 months.

Prospective employers do not seem to share the sentiments or perceptions of their more experienced counterparts. For instance, these entrepreneurs do not expect to suffer from problems such as VAT/taxes, unemployment, and inflation. This group is concerned, however, with the likely negative influence on their newly established businesses of problems linked to township instability/violence/crime, lack of skilled staff, and non-availability of suitable premises. The single most serious problem anticipated by 26% of prospective entrepreneurs concerns competition.

Fewer informal business owners expect to confront problems emanating from township instability/violence, VAT/taxes, and unemployment. Lack of suitable or adequate space/premises remains a serious problem for these entrepreneurs. Their confidence in a better business future forms part of their entrepreneurial style of operation. However, it is important to note that this group of operators is not well placed to make informed judgments about sophisticated economic developments or prospects. At best, their confidence is borne out of hope and limited understanding of social and economic forces that drive economic processes.

The analysis of business constraints and opportunities ended with respondents having to rank the seriousness and/or importance of a comprehensive list of social, economic and political problems on a three-point scale where 3 = very serious, 2 = serious, and 1 = not a problem. Information from this analysis generally mirrors response patterns already discussed in full. Respondent fatigue and boredom with answering similar questions on prevailing problems has introduced some slight variations in the ranking of the problems. Reports compiled during fieldwork pointed out that the list of problems presented to respondents proved rather too long and repetitive.

To reiterate, formal sector businesses are concerned largely by the combined impact of VAT, economic and political hardships on their businesses. Perennial problems are also noted i.e lack of resources such as capital/investment. The group comprising lapsed entrepreneurs cited strong competition, political instability, lack of suitably qualified managers/staff and deteriorating economic conditions as problems which pose serious hazards for small businesses. Prospective entrepreneurs were preoccupied with political and economic problems. However, their fear of competition remained relatively strong throughout the interview. Informal business owners expressed concerns about the immediate impact of poor economic and political/social instability on their businesses e.g unemployment, higher prices, etc.

TABLE 18. SUMMARY OF PROBLEMS AFFECTING BLACK BUSINESSES

FORMAL SECTOR

Taxes/GST/VAT
 Economic conditions
 Lack of security/safety
 Political instability
 Lack of capital/investment
 Strong competition

LAPSED ENTREPRENEURS

Strong competition
 Political Instability
 Availability of qualified managers
 Availability of skilled staff
 Economic conditions

PROSPECTIVE ENTREPRENEURS

Political instability
 Economic conditions
 Strong competition
 Availability of credit
 Lack of capital/investment
 Availability of skilled staff
 Taxes/GST/VAT

INFORMAL SECTOR

High prices
 Unemployment/no spending power
 Taxes/GST/VAT
 Violence/boycotts/stay-aways

5. FAILED ENTREPRENEURS' ADVICE/EXPERIENCES

Lapsed entrepreneurs were required to share their advice and experiences about the problems which contributed towards the insolvency of their businesses. The spontaneous information thus derived produced the most valuable input to the project vis a vis the development of strategies for the empowerment of black business through training and related measures. Table 19 lists all important lessons from failed businesses.

TABLE 19. LAPSED ENTREPRENEURS' EXPERIENCES AND ADVICE

BASE	FORMAL SECTOR LAPSED ENTREPRENEURS
	64
	8

Train you staff	36
Avoid lavish expenses/start small	24
Keep nose to grind stone	16
Study business	14
Improve security	11
Research market carefully	11
Keep up-to-date	9
Maintain credit control	8
Good location/away from townships	8
Avoid employment of family members	8
Motivate staff	8
Diversify activities	6
Insist on written contracts	6
Learn to deal with trade unions	5
Obtain adequate insurance	3
Other	14
Don't know	2

Sixty percent of failed businessmen/women regard staff training, acquisition of business knowledge and keeping abreast of developments as some of the most important ingredients for business success. Lapsed entrepreneurs also advised against the indulgence in "lavish expenses" and pursuit of ventures that are too big for start-up businesses.

Other points offered include maintenance of good and efficient management systems i.e "keep nose to the grind stone", credit control/security, maintenance of staff motivation/good relationships as well as researching one's market carefully. Further, lapsed entrepreneurs cautioned against the common practice of employing friends and family members. They are also worried about the non-availability of suitable and/or adequate business premises.

IV: ASSESSMENT OF TRAINING NEEDS1. TRAINING RECEIVED BEFORE/AFTER STARTING BUSINESS

TABLE 20. TRAINING RECEIVED BEFORE/STARTING BUSINESS

BASE	FORMAL SECTOR		INFORMAL SECTOR	
	BEFORE	AFTER	BEFORE	AFTER
	225			115
	100%	100%	100%	100%
No Training Received	42	63	64	69
Received Training	58	37	36	31
<u>Types of Training Received</u>				
Business management/general business/marketing/merchand- ising/sales	25	12	9	7
Customer/public/industrial relations	23	3	1	4
Technical/business skills/ product training	21	4	31	24
Accounting/book-keeping	14	9	-	4
University degree/diploma	8	-	-	-

A large proportion of current formal/informal business owners had not received any training prior to and after the establishment of their enterprises - 42% and 64%, respectively. The number of those failing to undergo business training increases after these entrepreneurs have entered into business. For instance, 63% and 69% of formal and informal sector business owners, respectively, did not attend training after they started their enterprises.

By and large, formal entrepreneurs are more likely to receive training prior to going into business. For instance, 58% claimed to have received formal training ranging from general academic education to business focused training (business management and book-keeping). Training received by those entering into the formal sector includes courses in general business (25%) i.e business principles, management, marketing, sales, merchandising and so forth.

The second most widespread area of training relates to customer, public or industrial relations (23%). Training in technical business skills appears to be most sought after among those operating in the informal sector. A fifth of the formal sector go into business already equipped with training in technical business skills whilst one out of every ten of these businesspersons acquire skills in accounting/book keeping.

2. TRAINING AMONG LAPSED/PROSPECTIVE ENTREPRENEURS

The majority of failed entrepreneurs (58%) had received training in such topics as business management, marketing/merchandising/sales; customer/industrial/public relations; technical/business skills; and book-keeping/accounting. However, failed entrepreneurs did not seek further training once their businesses were established. Those who pursued business training after going into business (14%) concentrated on business management, marketing, sales, merchandising and general business knowledge.

TABLE 21. TRAINING AMONG LAPSED/PROSPECTIVE BUSINESSES

BASE	LAPSED ENTREPRENEURS		PROSPECTIVE ENTREPRENEURS
	BEFORE	AFTER	BEFORE
	64	64	53
	100%	100%	100%

No Training Received	42	64	32
Received Training	58	36	68

<u>Types of Training Received</u>			
Business management/general business/marketing/merchandising/ sales	22	14	25
Customer/public/industrial relations	28	2	23
Technical/business skills/ product training	21	4	36
Accounting/book-keeping	19	9	25
University degree/diploma	4	-	6

Prospective entrepreneurs claimed to have accumulated considerable training in various aspects of business. This sub-group claims to be far better trained than the other three groups. However, it should be pointed out that the scope or level of training is no different from that possessed by current and lapsed entrepreneurs. It would appear that most black entrepreneurs enrol for general purpose training courses which provide general knowledge and/or orientation about business principles and management.

3. REASONS FOR NOT UNDERGOING TRAINING

Lack of business training appears to be most serious among those business sectors where most of the basic business transactions can be conducted with a minimum of formal business or management training. This is particularly true of retail/distribution/wholesaling (56%) and food processing i.e fast food outlets (46%). The low incidence of

involvement in formal business training is widely spread across all the major metropolitan areas viz. PWV, Greater Durban/Pietermaritzburg, Eastern/Western Cape, and Greater Bloemfontein-Botshabelo.

Black business men and women operating outside the PWV region i.e Greater Durban-Pietermaritzburg, metropolitan Cape, and Greater Bloemfontein/Bothsabelo areas do not seem to receive formal training in any aspects of business both before and after going into business.

TABLE 22. REASONS FOR NOT UNDERGOING TRAINING

BASE	FORMAL SECTOR		INFORMAL
	CURRENT	LAPSED	SECTOR
	225	64	115
	100%	100%	100%

Already trained	32	33	30
Trained myself on the job/ have enough experience	21	19	25
No time for training	2	14	9
Not enough money/for training	3	-	4
Training isn't needed	1	2	4
Didn't know about training	-	9	-
Not well educated	-	6	5

About a third of formal and informal businesspersons claimed not to need further training as they were already trained (in business) by the time they formed their own enterprises. A smaller proportion of businessmen/women in the formal (21%) and informal (25%) sectors claimed to have trained on-the-job as well as having had previous experience in business.

Other reasons advanced for failure to obtain business training were explained by lack of time, formal education, and funds. Some of the informal sector operators claimed their businesses did not require training i.e retail, repair work, etc. One in ten of the failed entrepreneurs claimed not to have been aware of the existence or relevance of training to the business. A rather small proportion of informal businesspersons openly admitted that lack of education prejudiced them from receiving any business training.

4. IMPORTANT BUSINESS TRAINING TOPICS

All four types of businesspersons represented in the survey identified general/business training as the single most important kind of training needed in their businesses. Following is a full list of some of the most important

training needs - as readily identified by the four categories of respondents.

TABLE 23. KINDS OF TRAINING IMPORTANT FOR MY BUSINESS

BASE	FORMAL SECTOR		PROSP-ECTIVE	INFORMAL SECOR
	CURRENT	LAPSED		
	225 100%	64 100%	53 100%	115 100%
General/business management	36	32	25	25
Technical/product training	28	9	36	28
Book keeping/accounting	20	19	25	15
Customer/public relations	28	6	23	10
Business development	4	23	25	8
Financial management	5	6	-	4
Marketing	3	6	-	9
Industrial relations	1	9	-	-
Budgeting/stock control	4	-	-	4

Three other facets of training identified as being important for business include technical/product knowledge, book keeping/accounting skills, people handling skills (public/customer//industrial relations), and business development. The perceptions of failed entrepreneurs do not always coincide with those of the current (formal/informal) operators as well as those planning to start new enterprises. Lapsed entrepreneurs maintain that the following kinds of training are the most important for business viz. general/business management; business development skills; and book keeping/accounting skills.

Lapsed entrepreneurs do not place much emphasis upon training in human skills (customer/public/industrial relations). This group of businessmen and women was most emphatic about the value of business management training.

5: TRAINING FOR MANAGEMENT AND STAFF

A large proportion of current and lapsed business owners sent their managers and staff for training i.e 75% and 88%, respectively. The type of training provided for managers and staff did not differ from that received by the business owners prior to and/or after starting the business.

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TABLE 24. TRAINING FOR MANAGEMENT/STAFF

BASE	CURRENT	LAPSED
	ENTREPRENEURS	ENTREPRENEURS
	225	64
	%	%
General/business management	12	3
Technical/product training	11	-
Book keeping/accounting	5	5
Customer/industrial relations	6	9
Merchandising	2	2

6. PERCEIVED SHORTCOMINGS ASSOCIATED WITH TRAINING

Findings presented in Table 25 help to explain some of the attitudes and motivations behind the rather low incidence of business training throughout the entire black private sector. Both formal (current) and informal business owners were questioned about their personal attitudes towards the participation of employees in training.

TABLE 25. PERCEIVED TRAINING SHORTCOMINGS

BASE	FORMAL	INFORMAL
	SECTOR	SECTOR
	225	115
	100%	100%
Training is too expensive	22	42
Not well educated employees	20	37
Afraid to lose trained staff	2	20
They demand high salaries	8	18
Too busy to send for training	6	13
Training centre is too far	8	17
Training is disruptive	3	6
Will want to take business over	-	6
Too old to train	-	4
Training wastes money	2	-
No response	55	11

7. REASONS FOR NOT TRAINING EMPLOYEES

Formal business owners who did not send their managers/staff for training were asked to motivate this decision or attitude. Information from this question is almost identical to that presented in the foregoing Table 25 (see Formal Sector column).

TABLE 26. REASONS FOR NOT TRAINING EMPLOYEES

BASE	FORMAL SECTOR	
	225	100%

Training is too expensive	13	
Not well educated employees	9	
Too busy to send for training	8	
They demand high salaries	8	
No need for training	8	
Afraid to lose trained staff	7	
Training is disruptive	5	
Training centre is too far	5	
Will want to take business over	2	
Training wastes money	2	
Too old to train	1	

8. RATING OF TRAINING TOPICS

All four categories of businesspersons represented in the survey were asked to rate topics for training on a three-point scale. Information from this question was classified into three distinct categories i.e Primary Training Topics ("very useful"); Secondary Training Topics ("useful"); and Irrelevant Training Topics ("not at all useful").

The presentation of business training topics was simplified and rephrased to facilitate application among respondents with low levels of literacy and business sophistication. Attempts were also made to present them with lists of training topics which were more likely to apply to their respective businesses.

Table 27 presents the priority ratings for all the training topics as ranked by all four categories of business operators.

TABLE 27. RATING OF VALUE OF TRAINING TOPICS

BASE	FORMAL SECTOR			INFORMAL SECTOR
	CURRENT	LAPSED	PROSPECTIVE	
	225	64	53	115
	100%	100%	100%	100%

Business management	1	1	1	1
Planning/control	2	1	1	*
Leadership	4	3	3	4
Communication	1	1	1	1
Purchasing	3	2	4	2
Production/growth management	2	1	2	1
Sales/distribution	2	3	4	1

Book keeping/accounting/ records	2	1	2	1
Financial/cash management	1	1	1	1
Credit management	2	2	2	2
Budget/control	1	2	2	1
Taxation	2	2	2	3
Marketing	4	3	3	3
Market/consumer research	1	1	1	1
Pricing	2	1	2	2
Advertising/promotion	3	1	3	3
Personnel management	2	1	3	4
Quality control	2	2	3	3
Time management	2	1	1	2
Office management/admin	5	3	4	*
Computer management	6	6	6	*
Clerical/secretarial training	7	5	6	*
Supervision	2	2	2	*
Literacy training	-	-	-	2

 Priority Rating: 1 = very useful, 2 = useful, 3 = less useful

* = not ranked

A careful review of the data indicates that black business owners are generally interested in obtaining knowledge and/or skills in all aspects of business. This fact is confirmed by the high rating scores given to almost all the training topics presented during field work. Four major topics were identified by all categories of business operators as being "very useful" to the success of the business viz.

- Business management
- Financial/cash flow management
- Communication
- Understanding customer needs or marketing

Groups of entrepreneurs other than those currently operating in the formal sector identified four other priority training topics viz:

- Planning/control
- Book keeping/accounting
- Time management
- Production management (lapsed entrepreneurs)

By and large, informal sector operators appear to have the greatest need for training in core business management topics. In addition to the acquisition of skills in the four primary areas discussed above, these operators are under pressure to manage and control the growth of their enterprises, sales/distribution, budgeting/record keeping, and business development/growth. The relatively low priority training topics were leadership and computer management.

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However, even these lowly ranked topics were favourably ranked by more than 50% of the respondents in all the four business categories covered in the survey.

9. MANAGEMENT/STAFF TRAINING AND BENEFITS

Respondents were also asked to indicate training courses which were attended by their managers/staff and how useful the course(s) were to the enterprise. This information was supplied by current and lapsed businesspersons. Current employers identified business management and communication as the two most useful courses attended by their managers/staff. However, they were generally negative about the usefulness of training received by their employees.

Conversely, lapsed entrepreneurs maintained that their companies had benefited immensely from the training received by their managers/staff. Table 27 summarizes the most useful training courses.

TABLE 28. MOST USEFUL TRAINING ATTENDED BY MANAGERS/STAFF

	FORMAL SECTOR (LAPSED)
BASE	64

VERY USEFUL COURSES ATTENDED (3.0)	

Business management	
Planning/control	
Production/growth management	
Sales/distribution	
Book keeping/accounting/records	
Financial/cash management	
Credit management	
Budget/control	
Taxation	
Marketing	
Market/consumer research	
Pricing	
Advertising/promotion	
Personnel management	
Quality control	
Time management	
Office management/admin	
Supervision	

LESS USEFUL COURSES (UNDER 3.0)

- Communication
 Purchasing
 Computer management
 Clerical/secretarial training
 Leadership

10. CONVENIENT TIMES FOR ATTENDING TRAINING COURSES

Business owners/managers in both formal and informal sectors were asked to indicate the times of the week they considered most suitable for training. Both types of businesses prefer to conduct training on the job rather than training that is offered away from the business. Further, they prefer to attend training 1-2 evening per week - and preferably at week-ends.

TABLE 29. CONVENIENT TIMES FOR TRAINING

	FORMAL SECTOR (CURRENT)	INFORMAL SECTOR
BASE	225 100%	115 100%
-----	-----	-----
On the Job Training for specific tasks	28	29
1-2 evenings per week	24	28
2 week intensive training session	19	16
1 week intensive training session	17	10
Week-end seminars	13	17
-----	-----	-----

11. PROSPECTS FOR TRAINING (NEXT 12 MONTHS)

Business owners/managers in the formal sector were asked about the likelihood of their enterprises sending employees for training during the next 12 months. They were also asked to indicate whether or not necessary provisions had been made in the company's budget (the latter question was also asked of Lapsed Entrepreneurs). Responses to both questions were as follows:

TABLE 30. PROSPECTS FOR MANAGEMENT/STAFF TRAINING
FORMAL SECTOR

BASE	FORMAL SECTOR	
	CURRENT 225	LAPSED 64
LIKELIHOOD OF TRAINING	100%	100%
-----	-----	-----
Very likely	40	*
Unsure at this time	39	*
Not at all likely	20	*
-----	-----	-----
BUDGET ALLOCATION		
-----	-----	-----
No Budget Allocation	74	27
Budget Allocation Made:	22	71
-R1 000	17	11
R1 001 - 5 000	7	14
R5 001 - 10 000	*	2
R10 000+	*	-
-----	-----	-----

* = Less than 0,4%

The foregoing findings highlight a well established pattern about the low involvement of black businesses in training. Three quarters of formal business did not set aside funds for the training of their employees. Further, seven out of ten lapsed businesses also failed to make financial provisions for training.

12. USAGE OF TRAINING ORGANIZATIONS/INSTITUTIONS

Respondents were asked to identify training institutions and organizations they have previously used or are likely to use in the future (next 12 months).

TABLE 31. USAGE OF TRAINING ORGANIZATIONS/INSTITUTIONS

BASE	FORMAL SECTOR		
	CURRENT 225	LAPSED 64	PROSPECTIVE 53
-----	-----	-----	-----
USED IN THE PAST	82	75	
-----	-----	-----	-----
Parent Company/franchisor linked company	23	48	*
Business School/Wits Centre for Business Development	5	14	*
SBDC/SBAB/KFC	8	9	*
Business college/commercial	6	2	*
Parent Company/franchisor linked company	23	48	*
Business School/Wits Centre for Business Development	5	14	*

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SBDC/SBAB/KFC	8	9	*
Business college/commercial school/Chamdor/Damelin	6	2	*
UNISA/university	2	6	*
Local technical college/technikon	4	5	*

LIKELY TO USE IN FUTURE	55	-	69

Parent Company/franchisor linked company	9	48	21
Business School/Wits Centre for Business Development	3	14	11
SBDC/SBAB/KFC	5	9	2
Business college/commercial school/Chamdor/Damelin	6	2	2
UNISA/university	3	6	2
Local technical college/technikon	4	5	9
SABTA/Project Spear	-	-	6
NONE	19	25	21

More than 80% of formal sector businesses claimed to have used, in the past, one or more business organizations, institutions or companies. Usage of these organizations/institutions was limited especially among businesses which went under. Most of the black business owners, which have direct or indirect relationships with franchising organizations, rely largely on their parent company or companies for their training. This appears to be linked directly to the lack of funds for training, low awareness of the need for training, ignorance of existing training facilities, apathy and negative attitudes towards the perceived post-training behaviour of trained managers or staff.

13. GENERAL ATTITUDES TOWARDS TRAINING

At the end of the section of the questionnaire dealing with attitudes and reactions to training, all respondents were asked to give their views on training in general. The majority of the respondents commented rather favourably on various benefits of training - less than 80 respondents declined to give their views. However, the rest of the participants gave positive comments. These are presented in the table below.

TABLE 32. ATTITUDES TOWARDS TRAINING

BASE	FORMAL SECTOR			INFORMAL
	CURRENT	LAPSED	PROSPEC- TIVE	SECTOR
	225	64	53	115
	100%	100%	100%	100%

POSITIVE COMMENTS				

Need more/in favour of training	45	63	38	46
Training improves staff skills	24	16	19	16
Keen to attend/send staff	5	3	9	11
Helps keep up to date/create success	6	5	4	-
Improves customer relations	4	3	2	-
Creates self-confidence	-	5	4	-
On-job-training is best	2	2	-	-

NEGATIVE COMMENTS				

Training is too expensive	2	3	-	-
Location/transport problems	*	-	-	2
Other (irrelevant)	12	9	6	10

A significant proportion of black business people have positive attitudes towards training. Most interestingly, those business owners (63%) whose business recently went insolvent were particularly keen to secure more training. A smaller proportion of the respondents went so far to state their willingness to attend or send staff for training. Respondents also cited some of the inconveniences which impact negatively on training viz. costliness and geographic inconvenience.

Appendix C

PRIVATE SECTOR RESOURCE ORGANIZATION ASSESSMENT

Introduction

South Africa is a country with a large number of organizations that provide various types of assistance to the small business sector. They range in size and differ in type of service, client base, source of funding and quality. Their clients are drawn from both the formal and informal sectors; while their services include technical assistance, credit, marketing and or training. Some provide only a single service while others provided multiple services. Some operate only in one locality while others have branches in other regions. They are both public and private-sector controlled. Although USAID does not currently provide assistance to the South African government, inclusion of public sector organizations was necessary in this assessment to understand the universe of South African resources available to aspiring and existing small businesses.

Methodology

A questionnaire was developed and sent with a covering letter to 179 organizations identified in the Directory, Small Business Development Organizations, Skills Training in South Africa: Nonformal, Nongovernmental, Nonprofit, Accessible to the Community, The Business Resource Directory 1991, and from proposals that were submitted to USAID. Fifty-four (54) questionnaires were returned, for a return rate of 30 percent.

The purpose of the questionnaire for Private Sector Resource Organizations throughout South Africa was to:

- To determine services being provided and determine the entities that utilize these services;
- To determine the needs of service providers and identify constraints they may have during the delivery of services; and
- To identify potential training providers.

In addition to the questionnaires, interviews were conducted with 35 organizations. An analysis of private sector resource organizations which integrates the interview inputs as well as information from reviewing documents, form part of the preceding report. The sampling from the questionnaire is not exhaustive, but rather illustrative of organizations that serve or have the potential for serving the target population of the Black Private Enterprise Development Project of USAID. The findings are general in nature and do not address the quality or effectiveness of the service provided by the organizations.

Distribution of Sample by Type of Organization

The organizations offering training and other resources to SSEs which responded to the questionnaire can be grouped into categories and are distributed as follows:

	<u>(N)</u>	<u>(%)</u>
Public sector SSE training/ development organizations	7	13
Public sector University or Technikon-based training/ development organizations	8	15
Private sector SSE training/ development organizations	28	52
Commercial business colleges & training companies	7	13
Membership organizations	<u>4</u>	<u>7</u>
Total	<u>55</u>	<u>100</u>

These percentages of the categories of organizations offering resources to SSEs roughly approximate distribution of all the resource organizations listed in the resource material mentioned.

SUMMARY OF FINDINGS

The sections that follow summarize the data collected in the questionnaires.

Target Groups of the Organizations

While the organizations varied in their approaches, with a few exceptions, they focused on the neediest in the population for the purpose of job creation. They also placed an emphasis on developing individual skills toward this end. A few put increasing/strengthening profitability of businesses and aiding the business ahead of assistance to the individual businessperson or entrepreneur.

Major Areas of Operation

While there is a concentration of resource organizations for SSEs in the PWV area, organizations exist in the regions of South Africa, almost exclusively located in urban areas. Institutions located in rural areas are agricultural institutions having entrepreneurial and business courses. The allocation of major areas of operation by region were as follows:

<u>Region</u>	<u>% of organizations</u>
PWV	26
Cape	13
Natal	9
OFS & homelands	5
Other	47

Very few organizations had branched out to other locations. The negligible number whose operations indicate nationwide coverage are the exceptional cases such as the Small Business Development Corporation (SBDC) and the National Association of Federated Chambers of Commerce (NAFCOC).

Size of Training Facilities and Years in Operation

Throughout the country, training facilities are small, with most having between one and three training rooms. About a quarter of the reporting organizations had been in operation for two years or less. In the PWV, Natal and Cape areas, half of the organizations had been in operation for five years or more. The state-affiliated institutions have operated for several years.

Numbers, Sex, Status of Professional and Training Staff

Most resource organizations employed between 7 and 12 persons. Smaller organizations may have only one or two people as full-time staff. These numbers were divided among professional and training staff. The Cape and Natal regions tended to have staff compliments nearly evenly divided between males and females. In the PWV area, there tended to be twice as many male employees as female employees. In the OFS area and homelands, males were employed exclusively, among those reporting. Nearly all the organizations reporting used a combination of full-time and part-time staff.

Source of Funding as a Percentage of Total Funding

Overall, organizations received 48% of their funding from the private sector and donor agencies, as compared to 22 percent from fees/revenues. About 14% of funding came from public sources (the South African government), leaving 6% from unspecified sources and the remainder unaccounted for. Organizations in the PWV area (where there is the largest concentration of private sector training/development organizations for SSEs) receive the smallest proportion of public sector funds overall (5.5%). They generate most of their income from fees and revenue (30.2% as compared to 21.9% for organizations overall and 6.6% for organizations in the OFS).

Ethnic Representation and Size of Client Base

The majority of the responding organizations serve a predominantly black client base (black meaning African, coloured and Asian in the South African context). Several organizations serve a predominantly black female clientele. Examples include: the Triple Trust Organization in Cape Town with 70 percent of the average client load (two week training cycles); the Get Ahead Foundation, 85 percent of 7 000 clients annually and 95 percent of the clientele of the Foundation for Entrepreneurship Development in Durban.

The numbers of clients served by organizations varied widely. Membership organizations such as NAFCOG and Project Spear (through SABTA, the South African Black Taxis Association) reported 100,000 and 50,000 respectively. These figures relate to membership bases, and the service provided is informational rather than training or other direct services. The Small Business Development Corporation reported 5,266 annual clients.

Illustrative client base ranges were found to be as follows:

<u>No. of clients</u>	<u>No. of institutions</u>
1-100*	7 (13%)
101-500	14 (26%)
501-2000	7 (13%)
2001-7000	4 (7%)
50,000 and above	3 (6%)
figures not provided	<u>19 (35%)</u>
	<u>54 (100%)</u>

*Two of the 54 respondents have companies as clients.

Some organizations did not make it clear if their client numbers were annualized. Length of client contact varies radically. Some organizations might provide counselling and the contact is less than a day. Others provide short-term training of less than a week, a week, or two weeks. A few organizations have long-term counselling and technical assistance relationships with clients. Other clients are part of a long-term project to increase the financial viability of their organization. This takes up periods up to a year or longer; and usually these organizations serve smaller numbers of clients. Virtually all respondents had more potential clients than they were able to service.

Education Level of Clients/ Language of Literacy

Training resource organizations are to a large extent serving people with minimal to basic education levels. The following table shows the :

<u>Education level</u>	<u>Average % of clients served</u>
Std. 8 or less	70
High school	25
University	<u>5</u>
	<u>100</u>

These figures represent averages. However, allocation of education levels differed somewhat among the regions. The largest percentages of less educated clients were found in the OFS and homeland institutions. The largest number of university level clients were reported by institutions in the PWV and Cape areas.

About 76% of clients are literate in one of the main languages of South Africa other than English. The languages of instruction cited include Shangaan, Tsonga, Zulu, Xhosa, Sotho, Siswati, Venda and Afrikaans. This compares with 60 percent who are literate in English. Many of the program offered, are in one of the major languages only, while others are offered in a dual medium of English or Afrikaans, plus another language.

Types of Services Provided by Business Sector

Organizations were questioned about the types of services they provided and also the sectors they serviced, specifying: manufacturing, retail/trade, service, construction/housing, agriculture, transport and other. The services provided included business consulting, training, marketing, lending and other.

Services provided by sector

(Percentage of organizations providing service in that sector) are shown in the table below:

SERVICE	Sector Receiving Service					
	MANUF	RETAIL	SERVICE	CONSTR.	AGRIC.	TRANSP.
Business Consult. (2)	44	35	37	24	9	19
Training (7)	48	44	42	30	17	27
Marketing (4)	24	19	17	19	7	15
Lending (2)	7	7	7	4	4	4
Other (2)	6	6	4	8	2	2
No response (83)	43	47	45	57	79	67

The manufacturing, retail and service sectors, seemingly receive the most attention, insofar as provision of services, concerned while construction/housing, agriculture and transportation received the last assistance in support of SSEs. However, a sector by sector description of the respondents, which addresses regional differences is instructive.

The Manufacturing Industry

While all of the regional areas offered some services for SSEs in the manufacturing industry, the services were most minimal in the OFS and the homelands. Most services concentrated on business consulting and training. However, some organizations used training to include skills training along with business and entrepreneurship training. Therefore, less than the 48 percent of organizations reporting training in manufacturing are actually conducting training in the business aspects of manufacturing. Some are conducting skills training to be used in manufacturing; others are providing generic business training (such as costing) which can be applied to manufacturing.

There were virtually no services provided in marketing, lending or other services, for manufacturing industries in Natal, the OFS and the homelands. Even though more organizations said they provided services

The Referral of clients

Respondents indicated that the SBDC was the most likely agency to which clients would be referred for marketing information or general networking for business development. The SBDC was mentioned by 26% of the respondents. Approximately 9% of the respondents indicated that they referred clients to banks, building societies, local universities and technikons. The other sources to which respondents refer clients were, local chambers of commerce/NAFCOC; the Get Ahead Foundation; local specialists; SABTA/FABCOS, Urban Foundation, Matchmaker and local businesses. (in that order)

CONSTRAINTS TO PROVIDING SERVICE

Largest constraint to providing service was funding according to 78 percent of the reporting organizations. Only 11 percent stated that lack of sufficient staff was the constraint and 3 percent cited lack of staff development or training. However, as this was a self-reported questionnaire received from a donor agency, bias toward self-interest is likely in these responses.

Fee Subsidies

Only 11% of the respondents that their fees were not subsidized. The sources of the subsidies were as follows (expressed as averages for reporting organizations):

	<u>average %</u>
not subsidized	11.1
Govt. of SA	18.5
private sector	35.2
donor agencies	22.2
other(unspecified)	<u>13</u>
	<u>100</u>

The majority of organizations are subsidized by the government, the private sector and donor agencies. This is not surprising in view of the earlier finding that clients are usually the neediest among the population. Indications are that these services can only be provided if subsidies are available.

Levels of Education of Participants

<u>Training Method</u>	<u>Lower</u>	<u>Higher</u>
lecture/discussion	50.0	44.4
video/audio visual	50.0	35.2
small group exercises	48.1	40.7
case studies	27.8	35.2
simulation/role play	42.6	22.2
experiential learning	42.6	20.4
participatory/ nonformal education	51.9	14.8
adult learning principles	38.9	24.1
no response	29.6	51.9

The high no response rate to the question of methodologies for people with higher education levels reinforces that most agencies' target groups have lower education levels.

RESPONDENTS TO PRIVATE SECTOR RESOURCE ORGANIZATION QUESTIONNAIRE

Following, is a list of organisations that responded to our survey questionnaire; listed by location. The code numbers preceding each organisation on the list is an identification number for each organization on the list is an identification number for each organization for purpose of accessibility and clarity of presentation.

Johannesburg/PWV

01. Community Education Computer Society
02. Small Business Advisory Bureau
03. Executive Education
04. Get Up Lending Trust
05. Foundation for Entrepreneurship Development
06. Project Spear
07. Wisden Institute of Training
08. NAFCO
09. Small Business Development Corporation
10. Get Ahead Foundation
11. South African Institute of Supervisors
12. The Contractor Development Agency
13. Private Sector Counselling Organisation
14. BEDCOR
15. Get Ahead Foundation
16. Consumer Institute for Research & Promotion
17. Afro Hairdressing & Beauty Association of Southern Africa
18. National African Federated Transport Academy
19. HODECO
20. Legal Aid Bureau Housing Advice Project
21. Civic Association of Southern Transvaal
22. Division of Water Technology/CSIR
23. The Learning MMethods Group
24. Cooperative Planning & Education
25. Matchmaker Services
26. Institute for Democratic Economic Development

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Orange Free State

27. ESKO

Cape Province

- 28. Informal Business Training Trust
- 29. Triple Trust Organisation
- 30. Port Elizabeth Entrepreneurial Centre
- 31. Quaker Peace Centre
- 32. Business Skills & Development Centre
- 33. Association of Independent Small Businesses
- 34. Black Initiative Resource Centre
- 35. Entrepreneurship & Small Business Development Unit
- 36. Stellenbosch
- 37. Tsibane Resource Centre
- 38. Eastern Cape Adult Learning Project
- 39. Independent Business Enrichment Centre
- 40. Grassroots Educare Trust
- 41. Institute for Small Business

Natal

- 42. Hampton College
- 43. Capfarm Trust
- 44. Kwazulu Training Trust
- 45. Small Business Advice Centre
- 46. Baynesfield Training Centre
- 47. Zisze Training Centre
- 48. Durban Media Trainers Group
- 49. Natal Training Centre
- 50. Centre for Businessmen - University of Zululand

Other

- 51. Bureau for Development Research & Training
- 52. University of Venda Foundation
- 53. Gazankulu Training Trust
- 54. Kangwane Economic Development Corporation

A LISTING OF TRAINING INSTITUTIONS

Following is a list of some of the training institutions that completed the survey questionnaire. It provides more details about the organizations upon which the survey is based.

PUBLIC SECTOR SSE TRAINING/DEVELOPMENT ORGANIZATIONS

Contractor Development Agency, P.O. Box 1198,
Johannesburg Tel.
011 403-5500 (A project of the Urban Foundation)

Principal features: Provides centralized marketing, engineering, technical assistance, financing and training. Training is in financial management and planning skills on a one-on-one basis to 25-50 people in a project. Clients are skilled black contractors, and the aim is to foster growth for the participating businesses. This is a pilot project to be replicated in other regions

Type of training: Financial planning & management

Duration: two years per groups

Facilities: central office; CDA trains on contract site.

Years of operation: 2

Number of professional/training staff: 8

Targets: skilled black building contractors, St. 2 to MBA level

Clients in 1991: group of 25

Sector serviced: construction

Major source of funding: Dev. Bank of SA and Urban Foundation.

Constraints: funding for replication; projects need 6 months funding until breakeven point is achieved.

Gazankulu Training Trust, P.O. Box 270, Giyani
Tel. 01525 - 2115/6/7

Principal features: Assists and promotes the provision of training, extension, business, employmee skills training and work placement mainly to drop-outs.

Type of training: Start-up business training; technical skills training for building, motor, metal, electrical industrial, secretarial, agricultural, sewing and literacy.

Duration: 2 days to 3 months, depending on course

Facilities: central office plus 5 training sites
Years of operation: 4

Number of professional/training staff: 62

Targets: - unemployed drop-outs

Clients in 1991: 3,000

Sector serviced: various

Major source of funding: government

Constraints: lack of credit facilities for informal sector business development and funds to implement training projects.

Kangwane Economic Development Corporation, P.O. Box 935, White
River Tel. 01311 - 031101

Principal features: Assists in the promotion of viable, sustainable businesses.

Type of training: Township MBA; Financial course for club committee; Cost/Pricing

Duration: various lengths, few days to several months

Facilities: Training center

Years in operation: 2 years

Number of professional/training staff: 15 trainers plus 80 professionals in the Division of Small Business

Targets: SSEs

Clients in 1991: n/a

Sector serviced: manufacturing, retail, service, construction

Major source of funding: government

Constraints: funds and suitably qualified staff.

Kwazulu Training Trust, P. O. Box 10094, Ashwood
Tel. 031 - 703-1155

Principal features: Training for job creation.

Type of training: retail management, building management,
agricultural contracting

Duration: 15 days to 10 months

Facilities: Training center

Year of operation: 11

Number of professional/training staff: 60

Targets: 80% informal sector, 20% formal sector businesses

Number trained in 1991: n/a

Sectors serviced: manufacturing, retail, service, and construction

Major source of funding: government

Constraints: funding, and a consequent inability to completely
service the demand due to size of market, and lack of
basic infrastructure.

Private Sector Counselling Organisation, P.O. Box 1198
Johannesburg Tel. 011-403-5500 (A Project of the Urban
Foundation)

Principal features: Developing black middle managers by training them
as counsellors to black entrepreneurs over an
extended period; while the enterprise
demonstrates increased viability

Type of training: course and on-the-job training for counselors;
technical assistance as needed for entrepreneur.

Duration: 24 month counselling relationship

Facilities: Counselling takes place on-site in the townships

Years of operation: 3

Number of professional/training staff: 28

Targets: black SSEs

Clients in 1991: 250

Sectors serviced: manufacturing, retail, service, construction, and
transport

Major source of funding: Urban Foundation, secondment of counselors
from companies

Constraints: lack of counselors.

Small Business Development Corporation Ltd., P.O. Box 7780,
Johannesburg Tel. 011 643-7351

Principal features: Small and medium-scale enterprise development through financing, business support services (training, information, advice, counselling, mentoring), and providing business premises.

Type of training: general business skills and special topics

Duration: various, 3 hours to 3 months

Facilities: 40 facilities in 13 areas of operation

Years of operation: 10

Number of professional/training staff: 89

Targets: South African SSEs & MSEs in need of assistance

Clients in 1991: 5266

Sectors serviced: all

Major source of funding: fees, revenues

Constraints: funding, number of staff.

PUBLIC SECTOR UNIVERSITY OR TECHNIKON BASED TRAINING/DEVELOPMENT ORGANIZATIONS

Bureau for Development Research & Training, BDRT P/B X1,
University of Transkei, Umtata, Transkei

Principal features: Development of small business sector in Transkei through training, consultation and advisory services.

Types of training: retail management, basic bookkeeping, cash management

Duration: 3 days - 7 months

Facilities: n/a

Years of operation: 5

Number of professional/training staff: 6

Targets: informal businesses, and some formal SSEs needing assistance

Clients in 1991: n/a

Sectors serviced: retail & service

Major source of funding: government

Constraints: lack of funds for staff and transport to reach to small towns

Institute for Small Business, University of the Western Cape,
Private Bag X17, Bellville Tel. 021 959-2620

Principal features: Promoting development and growth of an entrepreneurial culture through training courses, seminars to improve business skills; improving the survival and growth of small firms through consultation and advisory services; researching the needs, problems & constraints of small firms.

Types of training: starting your own business, cashflow management, bookkeeping

Duration: various, usually 2-3 days

Facilities: 4 training rooms and comprehensive library

Years of operation: 9

Number of professional/training staff: 7

Targets: SSEs and unemployed aspiring entrepreneurs

Clients in 1991: 800

Sectors serviced: all except agriculture

Major sources of funding: government

Constraints: suitably qualified trainers/counselors who speak local language

EKSO, P.O. Box 339, University of the OFS, Bloemfontein
Tel. 051 401-2768

Principal features: Development of small business sector and promotion of entrepreneurship.

Type of training: management, marketing, and financial management

Duration: several days

Facilities: training center

Years of operation: 10

Number of professional/training staff: 6

Targets: SSEs

Clients in 1991: 1000

Sector serviced: retail industry

Major source of funding: government

Constraints: none indicated.

Port Elizabeth Entrepreneurial Centre, c/o Port Elizabeth
Technikon, Private Bag X6011, PE
Tel: 041 511272

Principal features: Informal sector income-generating skills related to textiles.

Type of training: pricing, basic bookkeeping, and weaving

Duration: 3 weeks to 18 months

Facilities: training center and workshop

Years of Operation: 4

Number of professional/training staff: 11

Targets: underprivileged black women

Clients in 1991: 120

Major source of funding: private sector/fees & revenues

Constraints: lack of funding

PRIVATE SECTOR SSE TRAINING/DEVELOPMENT ORGANIZATIONS

Baynesfield Training Centre, P.O. Baynesfield, Baynesfield
Tel. 0332 - 510094

Principal features: Modern training methods in agricultural production

Types of training: technical agricultural skills

Duration: 3 days to several weeks

Facilities: hostel, dining and 5 lecture rooms

Years of operation: 6

Number of professional/training staff: 8

Targets: farm workers, managers and owners

Clients in 1991: 1013

Sectors serviced: construction, agriculture, transport

Major source of funding: private sector

Constraints: financial constraints limiting employment of additional staff and facilities expansion

Business Skills & Development Centre, 4 Loop St. Cape Town Tel.
021 418-1690

Principal features: Providing relevant, practical business skills for black women to start office-related businesses or to enter as employees.

Types of training: bookkeeping/accountancy, developing business plans

Duration: 15 weeks

Facilities: 2 training rooms and computer room

Years of operation: 5

Number of professional/training staff: 5

Targets: black women

Clients in 1991: 100

Sector serviced: service

Major source of funding: private sector

Constraints: funding

Cooperative Planning & Education, P.O. Box 185, WITS
Tel. 011 339-6752

Principal features: Training in developing viable businesses owned by co-operatives and communities

Type of training: on site training in developing business plans, feasibility studies and management

Duration: usually one month

Years of operation: 2

Number of professional/training staff: 7

Targets: Cooperatively owned businesses, civic associations wishing to establish and run businesses

Clients in 1991: 50 organizations & civic associations

Sectors serviced: service, construction and transportation

Major source of funding: donor agencies

Constraints: internal organizational skills capacity.

Foundation for Entrepreneurship Development, Box 18405,
Dalbridge Tel. 031-301-0681

Principal feature: Develops cottage industries through training.

Type of training: assorted business skills, basic sewing skills, cottage industry development

Duration: 6 weeks - 17 weeks

Facilities: Offices in Johannesburg, Pretoria and Durban

Years of Operation: 4

Number of professional/training staff: 17

Clients in 1991: 200

Sectors serviced: manufacturing

Major source of funding: fees, revenues

Constraints: sponsorship to expand activities.

Get Ahead Foundation, P.O. Box 3776, Pretoria
Tel. 342-2186

Principal features: Credit, counselling and training services to develop black SSEs.

Type of training: general business, credit/loan management, marketing, costing, bookkeeping and production management

Duration: usually 3 days

Facilities: 15 offices in PWV, Cape Town, Durban and Northern Transvaal

Years of operation: 7

Number of professional/training staff: 61

Targets: black SSEs
Clients in 1991: 7000

Sectors serviced: manufacturing, retail, service, construction and transport

Major source of funding: donor agencies

Constraints: need for venture/loan capital for blacks.

Get Up Lending Trust, P.O. Box 67488, Bryanston
Tel. 702-1158

Principal features: Provision of unsecured loans to those unable to borrow from formal lending institutions for businesses

Type of training: stock-control, bookkeeping, dressmaking quality upgrade, manufacturing for job creation, developing business plans

Duration: variable

Facilities: office but training is done on-site in PWV, OFS, Cape Town, Port Elizabeth, and Namibia, mainly in townships

Years of Operation: 6

Number of professional/training staff: 7 paid and volunteer staff

Clients in 1991: 445

Sectors serviced: manufacturing, retail, service, construction and transport

Major source of funding: private sector, fees & interest

HODECO, P.O. Box 6378, Johannesburg Tel. 011 495-8389

Principal features: Entrepreneurial development of black building contractors and black businesses allied to housing industry (eg. estate agents, draftsmen, etc.)

Type of training: management skills

Duration: one month

Facilities: n/a, services are on site

Years of Operation: 6

Number of professional/training staff: 12 full-time, 5 part-time

Targets: black building contractors and allied industry entrepreneurs

Clients in 1991: 100

Sector serviced: construction

Major source of funding: private sector

Constraints: lack of formal training/managerial skills on the part of potential black contractors

Informal Business Training Trust, P.O. Box 405, Rondebosch, Cape Town Tel: 021-686-9063

Principal features: business training for survivalist entrepreneurs in the informal sector

Type of training: comprehensive course in developing business plan, pricing, credit/loan management, business management, marketing and stock control

Duration: 5 days

Facilities: 3 training rooms

Number of professional/training staff: 6

Targets: Black informal sector business entrants, predominantly women

Clients in 1991: 2000

Major source of funding: private sector

Constraints: insufficient funds.

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Institute for Democratic Economic Development, P.O. Box 24289,
Lansdowne Tel. 021 73-3888

Principal features: Builds capacity of black business organizations mainly through information dissemination.

Type of training: n/a

Years of operation: 2

Number of staff: 2

Targets: black businesses

Sectors serviced: all

Major source of funding: private sector

Constraints: not indicated.

Matchmaker Services, P.O. Box 2155, Johannesburg Tel. 011
331-3937

Principal features: Matches black entrepreneurs with business opportunities using annual trade fair for small black suppliers, franchising opportunities and networking for sub-contracts for black suppliers

Type of training: seminars on "Negotiating a Contract" and "Own Your Business"

Facilities: contracts as needed

Years of operation: 6

Number of professional/training staff: 2, plus volunteers from private sector

Targets: black SSEs

Clients in 1991: 100

Major source of funding: fees/revenues

Constraints: funding

Triple Trust Organization, P.O. Box 13227, Mowbray
Tel. 021 448-7341

Principal feature: Stimulating self-employment in the informal sector

Type of training: business skills and sewing-related technical skills

Duration: 8 weeks

Facilities: 13 training centers in townships

Years of operation: 3

Number of professional/training staff: 41

Targets: undereducated informal sector business entrants

Clients in 1991: n/a

Sector serviced: manufacturing

Major source of funding: private sector

Constraints: financial resources for training courses.

COMMERCIAL BUSINESS COLLEGES & TRAINING COMPANIES

Sullivan's Practical Business Courses, P.O. Box 16746, Boksburg
Tel. 4252241/2

Principal features: Post-matric level business training.

Type of training: Courses in basic and advanced bookkeeping, developing business plans, financial management, business management (developed by Damelin Management School)

Duration: 10 days - 3 months

Facilities: 3 training rooms

Years of operation: 1

Number of professional/training staff: 1 full-time and 4 part-time lecturers

Targets: matriculants who want business skills

Clients in 1991: 150

Sector Serviced: service industry

Major source of funding: course fees

Constraints: n/a

Hampton College, P.O. Box 47253, Greyville, Durban Tel. 031
368-3393/4

Principal features: Business diploma course and credit control

Duration: 3 months - 1 year

Facilities: 5 lecture rooms and resource library

Years of operation: 7

Number of professional/training staff: 18

Targets: SSE owners and aspirants SSE owners

Clients in 1991: 270

Sectors serviced: manufacturing, retail and service industry

Major source of funding: course fees and private sector

Constraints: funding

The Learning Methods Group, P.O. Box 2395, Primrose, Tel. 011
51-8071

Principal features: Develops, markets and delivers need based experiential training programs

Types of training: business counsellor training; business skills and building customer relations

Duration: 2 days - 2 1/2 months

Facilities: office

Years of operation: more than 10

Number of professional/training staff: 6

Targets: organizations in need of training services

Number trained in 1991: n/a

Sectors serviced: manufacturing, service and transport

Major source of funding : private sector

Constraints: funding and human capability.

MEMBERSHIP ORGANIZATIONS

National African Federated Transport Academy, P.O. Box 4752,
Johannesburg Tel. 011 886-3936

Principal features: Changing skills oriented people into entrepreneurs/owners of small businesses.

Type of training: transport management, personal development and passenger transport management

Duration: 5 - 10 days

Facilities: 8 training rooms and hostel/dining facilities

Years of operation: n/a

Number of professional/training staff: 9

Targets: black potential entrepreneurs with transport industry skills (exclusively male)

Clients in 1991: 17 companies

Sector serviced: transport industry

Major source of funding: private sector and fees

Constraints: renovation of facilities, funding for course development

National African Federated Chamber of Commerce and Industry
(NAFCOC), P/Bag X81, Shoshanguve Tel. (01214) 3204

Principal features: A membership organization devoted to economic empowerment of the black community through advocacy and programs

Type of training: recordkeeping, stock control, VAT and business management

Duration: 1 - 5 days

Facilities: central office and 1 training room

Years of operation: 7

Number of professional/training staff: 16

Targets: black owned SSEs and MSEs

Clients in 1991: 100,000 (members)

Major source of funds: private sector and fees/revenues

Constraints: funding, expertise and skilled human resources.

Project Spear, P.O. Box 269, Pretoria
Tel. (012) 325-6123 (A project of the Southern Africa Black
Taxi Association)

Principal features: Technical training in driving for black combi-taxi industry; also to ensure continued licensing

Type of training: defensive driving

Duration: 1 - 2 days

Facilities: franchised nationwide

Years of operation: 2

Number of professional/training staff: 4

Targets: black taxi drivers

Clients in 1991: 52,000 (members and potential clients)

Sector serviced: transport industry

Major source of funding: sought from donors and private sector

Constraints: motivation of target audience and sponsorship

Appendix D

A RECOMMENDED USAID/SA PROCESS FOR BLACK SSE DEVELOPMENT ASSISTANCE

This section outlines a process for development of SSE assistance projects. It includes an initial stage with focus on the policy environment for SSEs, pilot projects, and full-scale a gradual and experimental start-up that might result in full-scale implementation.

PRINCIPLES FOR INITIATING BLACK SSE DEVELOPMENT

Should Design Adaptive Processes, Not Rigid Blueprints

The SSE sector has only come into the focus of USAID and other donors during the last few years. No unique model of how to help this sector has yet been carved out. Thus what is needed is a framework for a process approach allowing for flexibility as the program evolves. Predetermined, fixed models of assistance to this sector should be avoided for two main reasons:

- a) Too little is known about the effects of the various assistance instruments applied in contexts as complex as in South Africa.
- b) A participatory, adaptive approach allows experience gained through early assistance efforts to have a major influence on the design and implementation of subsequent projects.

USAID/SA Should Play a Catalytic Role

Though SSE assistance programs should not originate with detailed plans, guidelines on how to initiate and implement learning processes are needed. USAID/SA should keep in mind that it can play only a catalytic. The main actors in SSE development are the government, local resource organizations, and the entrepreneurs themselves.

Initial Focus Should Be on the Environment for SSE Development

The key to further development of the sector lies primarily with the government, entrepreneurs and organizations involved with their development. Therefore USAID should attache (has attached) considerable concern to the environment of SSE development in the initial stages of its SSE assistance program in South Africa. Before massive disbursements to supply-oriented projects (credit, technical assistance, training, etc) are started, the effectiveness of such instruments in the relevant environment should be questioned. Given an unconducive environment for SSE development, traditional supply-oriented projects may be a major sink of development funds without producing the required affects. Only if the economic, political and socio-cultural environment is sufficiently conducive to SSE development, can USAID money play the intended catalytic role of accelerating Black growth in this sector.

Program Start-up Should be Gradual and Experimental

When the environment has been judged sufficiently conducive for SSE development, program operations can be started. At the outset only interventions on a limited scale should be applied. At this stage, project designers should understand that assistance programs do not deal with SSEs in isolation, but deal with them as parts of specifically located cultural, social and economic systems.

Further, this phase should involve pilot experiments with new channels for delivery of the fullest range of instruments appropriate for the development of the sector. Finally, both government and non-governmental organizations at all levels should be reviewed because they play separate but complementary roles.

Long-Term Involvement should Be Foreseen From the Start

The basis for self sustained Black SSE development in South Africa is not yet established and successful programs will very likely be fragile for years to come. Thus USAID should keep a stand-by position, ready to prevent break-downs due to unexpected changes in program environment, or insufficient internal capacity to maintain the program through less optimal periods.

Program Impacts Should Be Monitored From The Start

From the very start of the operational phase, a sensitive feedback system for program management should be established. The success of the management of development assistance to Black SSEs sensitivity and responsiveness of the key personnel capable of collecting vital information and monitoring program impacts closely and currently.

Full-Scale Programs Should be Initiated only when Mutually Supporting Benefits of Coordinated Actions are Achieved

The critical issue in the full-scale implementation phase is whether the program's different actions mutually support each other in order to induce self-sustained SSE growth and development.

The reason for the emphasis on this integrated, multi-factor approach rests in the lessons that many donors have learned from single-factor assistance (like credit programs): program benefits usually cease when program inputs are withdrawn. The key task is to ensure that all program actions are coordinated and integrated towards the achievement of the same goals and to avoid imbalances in any direction that can significantly jeopardize favorable program outcomes.

The Major Test of the Full-Scale Assistance Program Should be the Continuous Improvement towards Full Sustainability

Sustainability evaluations should be carried out at regular intervals once the program has come into full-scale operation. The main focus should be on changes in indicators of sustainability as the program evolves. If sustainability indicators improve then the

chances for sustainability do not improve, program operations should be scaled down.

THE PROCESS OF SSE ASSISTANCE

INTRODUCTION

As shown in the flow chart on the following page, donor involvement in the SSE sector should pass through three distinct phases as summarized below:

The first phase should consist of a thorough assessment of the prevailing environment for SSE development in the country. Only if the policy environment and the socio-cultural conditions are favorable for SSEs should a donor program be designed. If the policy environment is non-conducive for development of SSEs, then the donor - in cooperation with other donors and SSE advocates - start a policy dialogue process with the government to change the environment in favor of SSE development.

Once an acceptable environment for SSE development has been established, the second phase can start with experimental implementation and testing of program components and project designs. The aim is to design program in which various components have mutually supportive development effects. It should be stressed that it is not sufficient to design a package of parallel, but isolated single-factor measures.

A major criteria for success in this phase is that sustainable operation can be maintained by means of domestic/commercial resources, i.e. the donor can eventually pull out.

Close monitoring and evaluation is required from the very start of implementation. A long-term donor involvement should be foreseen, but the donor should also be prepared to pull out if sustainable effects do not show up.

THE SSE-ENVIRONMENT CHECK-OUT (PHASE I)

The critical question for project assistance to the SSE sector is whether the environment or climate for growth is good enough to make the assistance worthwhile. If this is not the case, resources should be used to assist changes in present policy or be invested in other projects.

In approaching this question several distinctions can be made. Some environmental issues will influence all kinds of SSEs, but not necessarily to the same extent or in the same manner. Other environmental issues may be specific only for some segments of the SSE sector.

Thus already at this early stage, there may be a need for sector studies of possible programs to get some idea of fundamental strategic issues. It will be especially important to learn at the outset whether the donor agency and the government have the same general attitudes towards the development of the SSE sector being contemplated. A starting point should be to examine briefly the government's official and derived goals and priorities for the SSE sector to determine the existence of potentials and constraints to its development.

The primary thrust in stimulating the growth of small-scale activities must come from macro-economic policies aimed at the economy as a whole. Some important tasks will be:

- to stimulate demand for SSE products by increasing incomes of the urban and rural poor,
- to secure favorable terms of competition between the SSE sector and larger producers and between domestic manufactures and foreign imports,
- to promote investment incentives that encourage the substitution of labor for machinery in order to stimulate small-scale activities that are labor intensive,
- to continue revising the legal framework aimed at removing barriers to entry and expansion of SSEs,
- to understand socio-cultural factors that may make it necessary to design SSE programs in very specific ways to ensure active design of the SSE program in very specific ways to ensure active involvement of the target populations especially women.

The Sectoral Environment

The most important task in influencing the sectoral environment is to increase the demand for SSE products and to increase the ability of Black SSEs to compete in and gain larger shares of the market.

The demand side: Creating a Demand for SSE Products and Improving the Ability of Black SSEs to Compete for Larger Market Shares

Macro-economic policy and changes in income determine the growth of the total demand for products and services delivered by the SSE sector. But SSEs are not the only suppliers of their goods and services. In South Africa the competition comes from medium-scale and large-scale suppliers and to a lesser extent from foreign producers through imports.

Thus it will not be sufficient to set up a macro-economic policy of stimulating demand for SSE products and services without ensuring that the small Black producers are competitive and can take advantage of the increased demand.

At the sectoral level the critical issue will therefore be to strengthen the productivity of Black SSEs and their ability to compete to ensure a sustained market position and eventually greater market shares.

The Supply Side: Creating the Basis for Improved Performance of Black SSEs

Facing a positive demand for SSE products and services, the challenge for SSE assistance programs is to induce increased productivity and employment in the sector and to remove bottlenecks that hamper efficiency and market access on both the input and output side.

Low productivity and low capacity utilization in the Black SSE sector in SA cannot generally be solved through single-factor assistance approaches. In particular, neither pure credit programs nor pure training programs will normally not do the work, although each may be a fully necessary part of an integrated multi-factor approach.

Supply-oriented SSE assistance usually requires working with several components, i.e.,

- Financing and credit
- Training and entrepreneurial development
- Advisory and extension services
- Raw material supply
- Marketing
- Consulting services
- Product/process research and development assistance
- Industrial estates

The main point to be made here is that supply-side assistance should be comprehensive and flexible. Success with one component may relocate the need for assistance to another component. For example, once credit is available, the need for training and other forms of assistance become apparent. Thus supply-side assistance should be very flexible, and performance should be monitored and evaluated on a continuous basis in order to re-allocate assistance and resources as some bottlenecks disappear and other appear or reappear. These fundamental principles of comprehensiveness and flexibility imply that the assistance program should not in advance fix the budget allocation among various component-specific sub-programs on a long-term basis.

A specific assistance project should have a "lead organization", but not all tasks should be performed in-house since organizations are usually biased towards one or a few components. Thus comprehensive SSE assistance programs will play on a set of organizations, each with its specific strengths and weaknesses. Each delivery organization should be given tasks in the program in accordance with their comparative advantages and not be used for other tasks. The performance of each delivery organization should be closely followed, and program steering committee should have the authority to re-allocate resources to alternative delivery organizations if performance falls below acceptable limits.

The Process of Inducing SSE Environmental Improvements

Often the Phase I, SSE Environmental Check-out will conclude with severe needs for improvements before progressing to Phase II, Experimental implementation. The question is how to induce the required changes in the SSE environment.

APPENDIX E

List of Persons Contacted

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Keith Foster, Director, The Urban Foundation

Johan Kruger, Small Business Initiative, Anglo American Corporation

Wally Rontsch, The Learn Methods Group

Roy Polkinghorn, Standard Bank

Alan Samuels, Standard Bank

Zanele Mbeki, Womens World Banking

Snowy Dlamini, NAFCOC, Inyanda, Durban

Adhir Singh, Small Business Development Corporation

Chris Skinner, P.R. Manager, KwaZulu Finance, and Investment Corporation

Alfie Bosman, Manager Advanced and Basic Skills Development

Ronel Erwee, Professor, Grad. School of Mgmt., University of Pretoria

Lethabo Makgabo, Credit Manager, Get Ahead Foundation

Martin Carstens, Dir. Pretoria Off.: University of Venda Foundation., Pretoria

Elvil P. Beukes, Department of Economics, University of the Orange Free State, Bloemfontein

Johan Vosloo, Industrial Sociologist, Univ. of the North, Sovenga

A.E.Tyale, Chief Executive: ACHIEVERS, Johannesburg

Norma James, Dir. of Training, Free Market Foundation, Houghton

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W.G. Eaton, Strategic Management Association (SMA): Wendywood

Gary Kobane Morolo, Director: CM&M, Southdale

Reuel J. Khoza, Managing Director: CM&M, Southdale

Ian J. Hetherington, Managing Director: Job Creation, Kempton Park

Frene Ginwala: ANC, Johannesburg

Jesse Duarte: ANC, Johannesburg

John A. Bather, EDI Super Management, Randburg

Simon Brand, Chief Executive Officer, DBSA

N.T. Christodoulou, General Manager, DBSA

Charl Coetzee, Div. Mgr.: Bus. & Entrepreneurial Dev., DBSA

Derrick Coetz, Mgr.: Human Res. Dev. Policy Analysis, DBSA

A.E. Tjale (Chief Executive): Achievers

Gary Kobane Morolo, Director: C M & M

Reul J. Khoza, Managing Director: C M & M

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Johannesburg, 1990

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Associated-Management Consultants: researched and prepared by
C. Butler, Sandton, 1989

Appendix B

Private Sector Resource Organization Assessment

Introduction

South Africa is a country with a large number of organizations that provide various types of assistance to the small business sector. They range in size and differ in type of service, client base, source of funding, and quality. Their clients are drawn from both the formal and informal sectors; while their services include technical assistance, credit, marketing, and training. Some provide only a single service while others provided multiple services. Some operate only in one locality while others have branches in other regions. They are both public- and private-sector controlled. Although USAID does not currently provide assistance to the South African Government, inclusion of public sector organizations was necessary in this assessment to understand the universe of South African resources available to aspiring and existing small businesses.

Methodology

A questionnaire was developed and sent with a covering letter to 179 organizations identified in the *Directory, Small Business Development Organizations, Skills Training in South Africa: Nonformal, Nongovernmental, Nonprofit, Accessible to the Community, The Business Resource Directory 1991*, and from proposals that were submitted to USAID. Fifty-four (54) questionnaires were returned, for a return rate of 30 percent.

The purpose of the questionnaire for Private Sector Resource Organizations throughout South Africa was:

- To determine services being provided and determine the entities that utilize these services;
- To determine the needs of service providers and identify constraints they may have during the delivery of services; and
- To identify potential training providers.

In addition to the questionnaires, interviews were conducted with 35 organizations. An analysis of private sector resource organizations which integrates the interview inputs as well as information from reviewing documents, form part of the preceding report. The sampling from the questionnaire is not exhaustive, but rather illustrative of organizations that serve or have the potential for serving the target population of the Black Private Enterprise Development Project of USAID. The findings are general in nature and do not address the quality or effectiveness of the service provided by the organizations.

Distribution of Sample by Type of Organization

The organizations offering training and other resources to SSEs which responded to the questionnaire can be grouped into categories and are distributed as follows:

Item	(N)	(%)
Public sector SSE training/development organizations	7	13
Public sector University or Technikon-based training/development organizations	8	15
Private sector SSE training/development organizations	28	52
Commercial business colleges and training companies	7	13
Membership organizations	4	7
Total	54	100

These percentages of the categories of organizations offering resources to SSEs roughly approximate distribution of all the resource organizations listed in the resource material mentioned.

Summary of Findings

The sections that follow summarize the data collected in the questionnaires.

Target Groups of the Organizations

While the organizations varied in their approaches, with a few exceptions, they focused on the neediest in the population for the purpose of job creation. They also placed an emphasis on developing individual skills toward this end. A few put increasing/strengthening profitability of businesses and aiding the businesses ahead of assistance to the individual businessperson or entrepreneur.

Major Areas of Operation

While there is a concentration of resource organizations for SSEs in the PWV area, organizations exist in the regions of South Africa, almost exclusively located in urban areas. Institutions located in rural areas are agricultural institutions having entrepreneurial and business courses. The allocation of major areas of operation by region were as follows:

Region	Percent of organizations
PWV	26
Cape	13
Natal	9
OFS and homelands	5
Other	47

Very few organizations had branched out to other locations. The negligible number whose operations indicate nationwide coverage are the exceptional cases such as the Small Business Development Corporation (SBDC) and the National Association of Federated Chambers of Commerce (NAFCOC).

Size of Training Facilities and Years in Operation

Throughout the country, training facilities are small, with most having between one and three training rooms. About a quarter of the reporting organizations had been in operation for two years or less. In the PWV, Natal, and Cape areas, half of the organizations had been in operation for five years or more. The state-affiliated institutions have operated for several years.

Numbers, Sex, and Status of Professional and Training Staff

Most resource organizations employed between 7 and 12 persons. Smaller organizations may have only one or two people as full-time staff. These numbers were divided among professional and training staff. The Cape and Natal regions tended to have staff compliments nearly evenly divided between males and females. In the PWV area, there tended to be twice as many male employees as female employees. In the OFS area and homelands, males were employed exclusively, among those reporting. Nearly all the organizations reporting used a combination of full-time and part-time staff.

Source of Funding as a Percentage of Total Funding

Overall, organizations received 48% of their funding from the private sector and donor agencies, as compared to 22 percent from fees/revenues. About 14% of funding came from public sources (the South African Government), leaving 6% from unspecified sources and the remainder unaccounted for. Organizations in the PWV area (where there is the largest concentration of private sector training/development organizations for SSEs) receive the smallest proportion of public sector funds overall (5.5%). They generate most of their income from fees and revenue (30.2% as compared to 21.9% for organizations overall and 6.6% for organizations in the OFS).

Ethnic Representation and Size of Client Base

The majority of the responding organizations serve a predominantly black client base (black meaning African, colored, and Asian in the South African context). Several organizations serve a predominantly black female clientele. Examples include: the Triple Trust Organization in Cape Town with 70 percent of the average client load (two week training cycles); the Get Ahead Foundation, 85 percent of 7,000 clients annually and 95 percent of the clientele of the Foundation for Entrepreneurship Development in Durban.

The numbers of clients served by organizations varied widely. Membership organizations such as NAFCOC and Project Spear (through SABTA, the South African Black Taxis Association) reported 100,000 and 50,000 respectively. These figures relate to membership bases, and the service provided is informational rather than training or other direct services. The Small Business Development Corporation reported 5,266 annual clients.

Illustrative client base ranges were found to be as follows:

Number of clients	Number of institutions	
1-100*	7	(13%)
101-500	14	(26%)
501-2,000	7	(13%)
2,001-7,000	4	(7%)
50,000 and above	3	(6%)
Figures not provided	19	(35%)
Total	54	(100%)

*Two of the 54 respondents have companies as clients.

Some organizations did not make it clear if their client numbers were annualized. Length of client contact varies radically. Some organizations might provide counseling and the contact is less than a day. Others provide short-term training of less than a week, a week, or two weeks. A few organizations have long-term counseling and technical assistance relationships with clients. Other clients are part of a long-term project to increase the financial viability of their organization. This takes up periods up to a year or longer; and usually these organizations serve smaller numbers of clients. Virtually all respondents had more potential clients than they were able to service.

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Education Level of Clients/Language of Literacy

Training resource organizations are to a large extent serving people with minimal to basic education levels. The following table shows the:

Education level	Average percent of clients served
Std. 8 or less	70
High school	25
University	5
Total	100

These figures represent averages. However, allocation of education levels differed somewhat among the regions. The largest percentages of less educated clients were found in the OFS and homeland institutions. The largest number of university level clients were reported by institutions in the PWV and Cape areas.

About 76% of clients are literate in one of the main languages of South Africa other than English. The languages of instruction cited include Shangaan, Tsonga, Zulu, Xhosa, Sotho, Siswati, Venda, and Afrikaans. This compares with 60 percent who are literate in English. Many of the programs offered are in one of the major languages only, while others are offered in a dual medium of English or Afrikaans, plus another language.

Types of Services Provided by Business Sector

Organizations were questioned about the types of services they provided and also the sectors they serviced, specifying: manufacturing, retail/trade, service, construction/housing, agriculture, transport, and other. The services provided included business consulting, training, marketing, lending, and other.

Services Provided by Sector

The percentage of organizations providing service in each sector is shown in the table below:

Service	Sector Receiving Service					
	Manufacturing	Retail	Service	Construction	Agriculture	Transportation
Business Consult. (2)	44	35	37	24	9	19
Training (7)	48	44	42	30	17	27
Marketing (4)	24	19	17	19	7	15
Lending (2)	7	7	7	4	4	4
Other (2)	6	6	4	8	2	2
No response (83)	43	47	45	57	79	67

The manufacturing, retail, and service sectors seemingly receive the most attention, insofar as provision of services concerned, while construction/housing, agriculture, and transportation received the last assistance in support of SSEs. However, a sector by sector description of the respondents, which addresses regional differences is instructive.

Manufacturing Industry

While all of the regional areas offered some services for SSEs in the manufacturing industry, the services were most minimal in the OFS and the homelands. Most services concentrated on business consulting and training. However, some organizations used training to include skills training along with business and entrepreneurship training. Therefore, less than the 48 percent of organizations reporting training in manufacturing are actually conducting training in the business aspects of manufacturing. Some are conducting skills training to be used in manufacturing; others are providing generic business training (such as costing) which can be applied to manufacturing.

There were virtually no services provided in marketing, lending, or other services, for manufacturing industries in Natal, the OFS, and the homelands. Even though more organizations said they provided services relating to manufacturing, a cross-correlation of data indicates that the majority direct their services toward the informal and semi-formal sector.

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They are also helping micro-enterprises, rather than small enterprises which will generate jobs and profit beyond self-employment earnings.

Retail Trade

Conversely with the concentration on manufacturing, organizations in the Orange Free State and the homelands favor retail trade oriented services, especially in business consulting and training services. It would seem that for SSEs in the homelands, their options are limited to importing finished goods and selling. Training is the most prevalent service in the retail industry throughout the regions.

Service Industry

All the regions in the country possess resource organizations offering services in business consulting and training for service sector SSEs. A limited number of those responding offered marketing assistance. None offered lending services.

Construction/Housing Industry

While each region to have resources organizations providing services in business consulting and training for SSEs in the construction/housing industry, it was only in the PWV region that the SSEs were getting marketing and lending services. Such services were nonexistent in Natal, the OFS, and the homelands. They were negligible in the Cape.

Agriculture Industry

This industry had the largest number of organizations providing no services at all. The limited number providing services offered training. Consequently, even as an underserved industry, there was virtually no entrepreneurial assistance offered in this industry among the respondents. Also, apart from marketing services in the PWV area, marketing and lending assistance was virtually nonexistent.

Transport Industry

This was also a largely unserved sector for existing or potential SSEs; the second largest number of organizations offered no response. Most assistance available to this industry was found in the PWV and in the Cape region, with 8 and 2 organizations respectively. The other areas are completely unserved except for training offerings in Natal which are possibly skills oriented rather than business oriented.

Other Sectoral Industries

A negligible number of resource organizations, almost exclusively in the PWV area, reported that they provide services to other sectors which were not specified in the questionnaire.

Referral of Clients

Respondents indicated that the SBDC was the most likely agency to which clients would be referred for marketing information or general networking for business development. The SBDC was mentioned by 26% of the respondents. Approximately 9% of the respondents indicated that they referred clients to banks, building societies, local universities, and technikons. The other sources to which respondents refer clients were local chambers of commerce/NAFCOC; the Get Ahead Foundation; local specialists; SABTA/FABCOS, Urban Foundation, Matchmaker and local businesses (in that order).

Constraints to Providing Service

Largest constraint to providing service was funding according to 78% of the reporting organizations. Only 11% stated that lack of sufficient staff was the constraint and 3% cited lack of staff development or training. However, as this was a self-reported questionnaire received from a donor agency, bias toward self-interest is likely in these responses.

Fee Subsidies

Only 11% of the respondents reported that their fees were not subsidized. The sources of the subsidies were as follows (expressed as averages for reporting organizations):

Source	Average Percent
Not subsidized	11.1
Govt. of SA	18.5
Private sector	35.2
Donor agencies	22.2
Other (unspecified)	13.0
Total	100.0

The majority of organizations are subsidized by the government, the private sector, and donor agencies. This is not surprising in view of the earlier finding that clients are usually the neediest among the population. Indications are that these services can only be provided if subsidies are available.

Course Content for the Development of Entrepreneurs and Employees/Managers. The most prevalent content areas offered in courses to develop for entrepreneurs are indicated below; with the percentages of organizations reporting the offering.

Courses Offered	Percent of Organizations	Percent of Employees/Managers
Developing business plan	55.6	27.8
Costing/pricing/basic book-keeping	57.4	29.8
Credit/loan management	33.3	16.7
Financial management/accounting	46.3	27.8
Business management	53.7	25.9
Marketing	55.6	25.9
Production management/inventory control	44.4	18.5
Facility management	20.4	11.1
Technical skills	20.4	14.8
Franchising	5.6	7.4
Import/export	7.4	5.6
Other	7.4	13.0
No response	31.5	51.9

The results from this section and the preceding section indicate that the types of skills training needed by entrepreneurs overlaps with but is not identical to the training needs of managers and employees of businesses. Planning, management, and financial skills are more critical for the entrepreneur.

Training Methods: People with Lower Education Versus People with Higher Education Levels. Organizations reported that they used a variety of training methodologies for people with lower education levels, with more emphasis on audio visual materials, simulation/role plan, and experiential/nonformal learning than was the case for trainees with higher education levels.

Training Methodologies Used
(percent of organizations)

Training Method	Levels of Education of Participants	
	Lower	Higher
Lecture/discussion	50.0	44.4
Video/audio visual	50.0	35.2
Small group exercises	48.1	40.7
Case studies	27.8	35.2
Simulation/role play	42.6	22.2
Experiential learning	42.6	20.4
Participatory/nonformal education	51.9	14.8
Adult learning principles	38.9	24.1
No response	29.6	51.9

The high no-response rate to the question of methodologies for people with higher education levels reinforces the notion that most agencies' target groups have lower education levels.

Respondents to Private Sector Resource Organization Questionnaire

Following is a list of organizations that responded to our survey questionnaire listed by location. The code numbers preceding each organization on the list is an identification number for each organization for purpose of accessibility and clarity of presentation.

Johannesburg/PWV

01. Community Education Computer Society
02. Small Business Advisory Bureau
03. Executive Education
04. Get Up Lending Trust
05. Foundation for Entrepreneurship Development
06. Project Spear
07. Wisden Institute of Training
08. NAFCO
09. Small Business Development Corporation
10. Get Ahead Foundation
11. South African Institute of Supervisors

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12. The Contractor Development Agency
13. Private Sector Counselling Organisation
14. BEDCOR
15. Get Ahead Foundation
16. Consumer Institute for Research & Promotion
17. Afro Hairdressing and Beauty Association of Southern Africa
18. National African Federated Transport Academy
19. HODECO
20. Legal Aid Bureau Housing Advice Project
21. Civic Association of Southern Transvaal
22. Division of Water Technology/CSIR
23. The Learning Methods Group
24. Cooperative Planning and Education
25. Matchmaker Services
26. Institute for Democratic Economic Development

Orange Free State

27. ESKO

Cape Province

28. Informal Business Training Trust
29. Triple Trust Organisation
30. Port Elizabeth Entrepreneurial Centre
31. Quaker Peace Centre
32. Business Skills and Development Centre
33. Association of Independent Small Businesses
34. Black Initiative Resource Centre
35. Entrepreneurship and Small Business Development Unit
36. Stellenbosch
37. Tsibane Resource Centre
38. Eastern Cape Adult Learning Project
39. Independent Business Enrichment Centre
40. Grassroots Educare Trust
41. Institute for Small Business

Natal

42. Hampton College
43. Capfarm Trust
44. Kwazulu Training Trust
45. Small Business Advice Centre
46. Baynesfield Training Centre
47. Zisze Training Centre

48. Durban Media Trainers Group
49. Natal Training Centre
50. Centre for Businessmen—University of Zululand

Other

51. Bureau for Development Research and Training
52. University of Venda Foundation
53. Gazankulu Training Trust
54. Kangwane Economic Development Corporation

A Listing of Training Institutions

Following is a list of some of the training institutions that completed the survey questionnaire. It provides more details about the organizations upon which the survey is based.

Public Sector SSE Training/Development Organizations

**Contractor Development Agency, P.O. Box 1198, Johannesburg
Tel. 011 403-5500 (A project of the Urban Foundation)**

Principal features: Provides centralized marketing, engineering, technical assistance, financing, and training. Training is in financial management and planning skills on a one-on-one basis to 25-50 people in a project. Clients are skilled black contractors, and the aim is to foster growth for the participating businesses. This is a pilot project to be replicated in other regions

Type of training: Financial planning and management

Duration: 2 years per group

Facilities: Central office; CDA trains on contract site

Years of operation: 2

Number of professional/training staff: 8

Targets: Skilled black building contractors, St. 2 to MBA level

Clients in 1991: Group of 25

Sector serviced: Construction

Major source of funding: Dev. Bank of SA and Urban Foundation

Constraints: Funding for replication; projects need 6 months funding until breakeven point is achieved

**Gazankulu Training Trust, P.O. Box 270, Giyani
Tel. 01525-2115/67**

Principal features: Assists and promotes the provision of training, extension, business, employee skills training, and work placement mainly to drop-outs

Type of training: Start-up business training; technical skills training for building, motor, metal, electrical, industrial, secretarial, agricultural, sewing, and literacy

Duration: 2 days to 3 months, depending on course

Facilities: Central office plus 5 training sites

Years of operation: 4

Number of professional/training staff: 62

Targets: Unemployed drop-outs

Clients in 1991: 3,000

Sector serviced: Various

Major source of funding: Government

Constraints: Lack of credit facilities for informal sector business development and funds to implement training projects

**Kangwane Economic Development Corporation, P.O. Box 935, White River
Tel. 01311-031101**

Principal features: Assists in the promotion of viable, sustainable businesses

Type of training: Township MBA; Financial course for club committee; Cost/Pricing

Duration: Various lengths—a few days to several months

Facilities: Training center

Years in operation: 2

Number of professional/training staff: 15 trainers plus 80 professionals in the Division of Small Business

Targets: SSEs

Clients in 1991: N/A

Sector serviced: Manufacturing, retail, service, construction

Major source of funding: Government

Constraints: Funds and suitably qualified staff

**Kwazulu Training Trust, P. O. Box 10094, Ashwood
Tel. 031-703-1155**

Principal features: Training for job creation

Type of training: Retail management, building management, agricultural contracting

Duration: 15 days to 10 months

Facilities: Training center

Year of operation: 11

Number of professional/training staff: 60

Targets: 80% informal sector, 20% formal sector businesses

Number trained in 1991: N/A

Sectors serviced: Manufacturing, retail, service, and construction

Major source of funding: Government

Constraints: Funding, and a consequent inability to completely service the demand due to size of market and lack of basic infrastructure

**Private Sector Counselling Organisation, P.O. Box 1198, Johannesburg
Tel. 011-403-5500 (A Project of the Urban Foundation)**

Principal features: Developing black middle managers by training them as counselors to black entrepreneurs over an extended period while the enterprise demonstrates increased viability

Type of training: Course and on-the-job training for counselors; technical assistance as needed for each entrepreneur

Duration: 24 month counseling relationship

Facilities: Counseling takes place on-site in the townships

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Years of operation: 3

Number of professional/training staff: 28

Targets: Black SSEs

Clients in 1991: 250

Sectors serviced: Manufacturing, retail, service, construction, and transport

Major source of funding: Urban Foundation, secondment of counselors from companies

Constraints: Lack of counselors

**Small Business Development Corporation Ltd., P.O. Box 7780, Johannesburg
Tel. 011 643-7351**

Principal features: Small and medium-scale enterprise development through financing, business support services (training, information, advice, counseling, mentoring), and providing business premises

Type of training: General business skills and special topics

Duration: Various, 3 hours to 3 months

Facilities: 40 facilities in 13 areas of operation

Years of operation: 10

Number of professional/training staff: 89

Targets: South African SSEs and MSEs in need of assistance

Clients in 1991: 5,266

Sectors serviced: All

Major source of funding: Fees, revenues

Constraints: Funding, number of staff

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Public Sector University or Technikon-Based Training/Development Organizations

Bureau for Development Research & Training, BDRT P/B X1, University of Transkei, Umtata, Transkei

Principal features: Development of small business sector in Transkei through training, consultation, and advisory services

Types of training: Retail management, basic bookkeeping, cash management

Duration: 3 days to 7 months

Facilities: N/A

Years of operation: 5

Number of professional/training staff: 6

Targets: Informal businesses, and some formal SSEs needing assistance

Clients in 1991: N/A

Sectors serviced: Retail and service

Major source of funding: Government

Constraints: Lack of funds for staff and transport to reach small towns

**Institute for Small Business, University of the Western Cape, Private Bag X17, Bellville
Tel. 021 959-2620**

Principal features: Promoting development and growth of an entrepreneurial culture through training courses, seminars to improve business skills; improving the survival and growth of small firms through consultation and advisory services; researching the needs, problems, and constraints of small firms

Types of training: Starting your own business, cashflow management, bookkeeping

Duration: Various, usually 2 to 3 days

Facilities: 4 training rooms and comprehensive library

Years of operation: 9

Number of professional/training staff: 7

Targets: SSEs and unemployed aspiring entrepreneurs

Clients in 1991: 800

Sectors serviced: All except agriculture

Major sources of funding: Government

Constraints: Suitably qualified trainers/counselors who speak local language

**EKSO, P.O. Box 339, University of the OFS, Bloemfontein
Tel. 051 401-2768**

Principal features: Development of small business sector and promotion of entrepreneurship

Type of training: Management, marketing, and financial management

Duration: Several days

Facilities: Training center

Years of operation: 10

Number of professional/training staff: 6

Targets: SSEs

Clients in 1991: 1,000

Sector serviced: Retail industry

Major source of funding: Government

Constraints: None indicated

**Port Elizabeth Entrepreneurial Centre, c/o Port Elizabeth Technikon, Private Bag
X6011, PE Tel: 041 511272**

Principal features: Informal sector income-generating skills related to textiles

Type of training: Pricing, basic bookkeeping, and weaving

Duration: 3 weeks to 18 months

Facilities: Training center and workshop

Years of Operation: 4

Number of professional/training staff: 11

Targets: Underprivileged black women

Clients in 1991: 120

Major source of funding: Private sector/fees and revenues

Constraints: Lack of funding

Private Sector SSE Training/Development Organizations

**Baynesfield Training Centre, P.O. Baynesfield, Baynesfield
Tel. 0332-510094**

Principal features: Modern training methods in agricultural production

Types of training: Technical agricultural skills

Duration: 3 days to several weeks

Facilities: Hostel, dining, and 5 lecture rooms

Years of operation: 6

Number of professional/training staff: 8

Targets: Farm workers, managers, and owners

Clients in 1991: 1,013

Sectors serviced: Construction, agriculture, transport

Major source of funding: Private sector

Constraints: Financial, limiting employment of additional staff and facilities expansion

**Business Skills & Development Centre, 4 Loop St., Cape Town
Tel. 021 418-1690**

Principal features: Providing relevant, practical business skills for black women to start office-related businesses or to enter as employees

Types of training: Bookkeeping/accountancy, developing business plans

Duration: 15 weeks

Facilities: 2 training rooms and computer room

Years of operation: 5

Number of professional/training staff: 5

Targets: Black women

Clients in 1991: 100

Sector serviced: Service

Major source of funding: Private sector

Constraints: Funding

**Cooperative Planning & Education, P.O. Box 185, WITS
Tel. 011 339-6752**

Principal features: Training in developing viable businesses owned by cooperatives and communities

Type of training: On-site training in developing business plans, feasibility studies, and management

Duration: Usually 1 month

Years of operation: 2

Number of professional/training staff: 7

Targets: Cooperatively owned businesses, civic associations wishing to establish and run businesses

Clients in 1991: 50 organizations and civic associations

Sectors serviced: Service, construction, and transportation

Major source of funding: Donor agencies

Constraints: Internal organizational skills capacity

Foundation for Entrepreneurship Development, Box 18405, Dalbridge
Tel. 031-301-0681

Principal feature: Develops cottage industries through training

Type of training: Assorted business skills, basic sewing skills, cottage industry development

Duration: 6 to 17 weeks

Facilities: Offices in Johannesburg, Pretoria, and Durban

Years of Operation: 4

Number of professional/training staff: 17

Clients in 1991: 200

Sectors serviced: Manufacturing

Major source of funding: Fees, revenues

Constraints: Sponsorship to expand activities

Get Ahead Foundation, P.O. Box 3776, Pretoria
Tel. 342-2186

Principal features: Credit, counseling, and training services to develop black SSEs

Type of training: General business, credit/loan management, marketing, costing, bookkeeping, and production management

Duration: Usually 3 days

Facilities: 15 offices in PWV, Cape Town, Durban, and Northern Transvaal

Years of operation: 7

Number of professional/training staff: 61

Targets: Black SSEs

Clients in 1991: 7,000

Sectors serviced: Manufacturing, retail, service, construction, and transport

Major source of funding: Donor agencies

Constraints: Need for venture/loan capital for blacks

Get Up Lending Trust, P.O. Box 67488, Bryanston

Tel. 702-1158

Principal features: Provision of unsecured loans to those unable to borrow from formal lending institutions for businesses

Type of training: Stock-control, bookkeeping, dressmaking quality upgrade, manufacturing for job creation, developing business plans

Duration: Variable

Facilities: Office, but training is done on-site in PWV, OFS, Cape Town, Port Elizabeth, and Namibia, mainly in townships

Years of Operation: 6

Number of professional/training staff: 7 paid and volunteer staff

Clients in 1991: 445

Sectors serviced: Manufacturing, retail, service, construction, and transport

Major source of funding: Private sector, fees, and interest

HODECO, P.O. Box 6378, Johannesburg

Tel. 011 495-8389

Principal features: Entrepreneurial development of black building contractors and black businesses allied to housing industry (e.g., estate agents, draftsmen, etc.)

Type of training: Management skills

Duration: 1 month

Facilities: N/A, services are on-site

Years of Operation: 6

Number of professional/training staff: 12 full-time, 5 part-time

Targets: Black building contractors and allied industry entrepreneurs

Clients in 1991: 100

Sector serviced: Construction

Major source of funding: Private sector

Constraints: Lack of formal training/managerial skills on the part of potential black contractors

**Informal Business Training Trust, P.O. Box 405, Rondebosch, Cape Town
Tel: 021-686-9063**

Principal features: Business training for survivalist entrepreneurs in the informal sector

Type of training: Comprehensive course in developing business plan, pricing, credit/loan management, business management, marketing, and stock control

Duration: 5 days

Facilities: 3 training rooms

Number of professional/training staff: 6

Targets: Black informal sector business entrants, predominantly women

Clients in 1991: 2,000

Major source of funding: Private sector

Constraints: Insufficient funds

**Institute for Democratic Economic Development, P.O. Box 24289, Lansdowne
Tel. 021 73-3888**

Principal features: Builds capacity of black business organizations mainly through information dissemination

Type of training: N/A

Years of operation: 2

Number of staff: 2

Targets: Black businesses

Sectors serviced: All

Major source of funding: Private sector

Constraints: Not indicated

**Matchmaker Services, P.O. Box 2155, Johannesburg
Tel. 011 331-3937**

Principal features: Matches black entrepreneurs with business opportunities using annual trade fair for small black suppliers, franchising opportunities and networking for subcontracts for black suppliers

Type of training: Seminars on "Negotiating a Contract" and "Own Your Business"

Facilities: Contracts as needed

Years of operation: 6

Number of professional/training staff: 2, plus volunteers from private sector

Targets: Black SSEs

Clients in 1991: 100

Major source of funding: Fees/revenues

Constraints: Funding

**Triple Trust Organization, P.O. Box 13227, Mowbray
Tel. 021 448-7341**

Principal feature: Stimulating self-employment in the informal sector

Type of training: Business skills and sewing-related technical skills

Duration: 8 weeks

Facilities: 13 training centers in townships

Years of operation: 3

Number of professional/training staff: 41

Targets: Undereducated informal sector business entrants

Clients in 1991: N/A

Sector serviced: Manufacturing

Major source of funding: Private sector

Constraints: Financial resources for training courses

Commercial Business Colleges & Training Companies

**Sullivan's Practical Business Courses, P.O. Box 16746, Boksburg
Tel. 4252241/2**

Principal features: Post-matric level business training

Type of training: Courses in basic and advanced bookkeeping, developing business plans, financial management, business management (developed by Damelin Management School)

Duration: 10 days to 3 months

Facilities: 3 training rooms

Years of operation: 1

Number of professional/training staff: 1 full-time and 4 part-time lecturers

Targets: Matriculants who want business skills

Clients in 1991: 150

Sector serviced: Service industry

Major source of funding: Course fees

Constraints: N/A

**Hampton College, P.O. Box 47253, Greyville, Durban
Tel. 031 368-3393/4**

Principal features: Business diploma course and credit control

Duration: 3 months to 1 year

Facilities: 5 lecture rooms and resource library

Years of operation: 7

Number of professional/training staff: 18

Targets: SSE owners and aspiring SSE owners

Clients in 1991: 270

Sectors serviced: Manufacturing, retail, and service industry

Major source of funding: Course fees and private sector

Constraints: Funding

**The Learning Methods Group, P.O. Box 2395, Primrose
Tel. 011 51-8071**

Principal features: Develops, markets, and delivers need-based experiential training programs

Types of training: Business counselor training; business skills and building customer relations

Duration: 2 days to 2 1/2 months

Facilities: Office

Years of operation: More than 10

Number of professional/training staff: 6

Targets: Organizations in need of training services

Number trained in 1991: N/A

Sectors serviced: Manufacturing, service, and transport

Major source of funding: Private sector

Constraints: Funding and human capability

Membership Organizations

**National African Federated Transport Academy, P.O. Box 4752, Johannesburg
Tel. 011 886-3936**

Principal features: Changing skills-oriented people into entrepreneurs/owners of small businesses

Type of training: Transport management, personal development, and passenger transport management

Duration: 5 to 10 days

Facilities: 8 training rooms and hostel/dining facilities

Years of operation: N/A

Number of professional/training staff: 9

Targets: Black potential entrepreneurs with transport industry skills (exclusively male)

Clients in 1991: 17 companies

Sector serviced: Transport industry

Major source of funding: Private sector and fees

Constraints: Renovation of facilities, funding for course development

**National African Federated Chamber of Commerce and Industry (NAFCOC), P/Bag X81, Shoshanguve
Tel. (01214) 3204**

Principal features: A membership organization devoted to economic empowerment of the black community through advocacy and programs

Type of training: Recordkeeping, stock control, VAT, and business management

Duration: 1 to 5 days

Facilities: Central office and 1 training room

Years of operation: 7

Number of professional/training staff: 16

Targets: Black-owned SSEs and MSEs

Clients in 1991: 100,000 (members)

Major source of funding: Private sector and fees/revenues

Constraints: Funding, expertise, and skilled human resources

Project Spear, P.O. Box 269, Pretoria, Tel. (012) 325-6123 (A project of the Southern Africa Black Taxi Association)

Principal features: Technical training in driving for black kombi-taxi industry; also to ensure continued licensing

Type of training: Defensive driving

Duration: 1 to 2 days

Facilities: Franchised nationwide

Years of operation: 2

Number of professional/training staff: 4

Targets: Black taxi drivers

Clients in 1991: 52,000 (members and potential clients)

Sector serviced: Transport industry

Major source of funding: Sought from donors and private sector

Constraints: Motivation of target audience and sponsorship

Appendix E List of Persons Contacted

USAID

Deborah Diaz, Washington/Africa Bureau

Gene Peuse, Washington/Africa Bureau

David Himelfarb, So. Africa

David Evans, So. Africa

Dipolelo J. Ngatane, So. Africa

Paul Neifert, So. Africa

American Embassy

Richard Jackson, Senior Commercial Officer

U.S. Department of Commerce

Emily Soloman

USAID Contractors

Walter Smith, TEPS

Private Sector Organizations

Tessie San Martin, Austin and Associates, Washington

Mary Menel, Consultant, Washington

Fred O'Regan, Consultant, Washington

Ian Clark, Director, Wits Business School

G. P. Tarr, Small Business Development Corporation

Willie Ramoshaba, W. R. Consultants

Louisa Mogudi, W. R. Consultants

B. G. van Rooyen, Private Sector Counselling Organisation

Keith Foster, Director, The Urban Foundation

Johan Kruger, Small Business Initiative, Anglo American Corporation

Wally Rontsch, The Learn Methods Group

Roy Polkinghorn, Standard Bank

Alan Samuels, Standard Bank

Zanele Mbeki, Womens World Banking

Snowy Dlamini, NAFCOC, Inanda, Durban

Adhir Singh, Small Business Development Corporation

Chris Skinner, P.R. Manager, KwaZulu Finance and Investment Corporation

Alfie Bosman, Manager, Advanced and Basic Skills Development

Ronel Erwee, Professor, Grad. School of Management, University of Pretoria

Lethabo Makgabo, Credit Manager, Get Ahead Foundation

Martin Carstens, Director, Pretoria Office: University of Venda Foundation, Pretoria

Elvil P. Beukes, Department of Economics, University of the Orange Free State, Bloemfontein

Johan Vosloo, Industrial Sociologist, Univ. of the North, Sovenga

Norma James, Dir. of Training, Free Market Foundation, Houghton

A. B. Davenport, Manager/Director: Trident Training, Cape Town

W. G. Eaton, Strategic Management Association (SMA): Wendywood

Gary Kobane Morolo, Director: CM&M, Southdale

Reuel J. Khoza, Managing Director: CM&M, Southdale

Ian J. Hetherington, Managing/Director: Job Creation, Kempton Park

Frene Ginwala: ANC, Johannesburg

Jesse Duarte: ANC, Johannesburg

John A. Bather, EDI Super Management, Randburg

Simon Brand, Chief Executive Officer, DBSA

N.T. Christodoulou, General Manager, DBSA

Charles Coetzee, Div. Mgr.: Bus. & Entrepreneurial Dev., DBSA

Derrick Coetz, Mgr.: Human Res. Dev. Policy Analysis, DBSA

A. E. Tjale (Chief Executive): Achievers

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