



Premier's Council on Skills

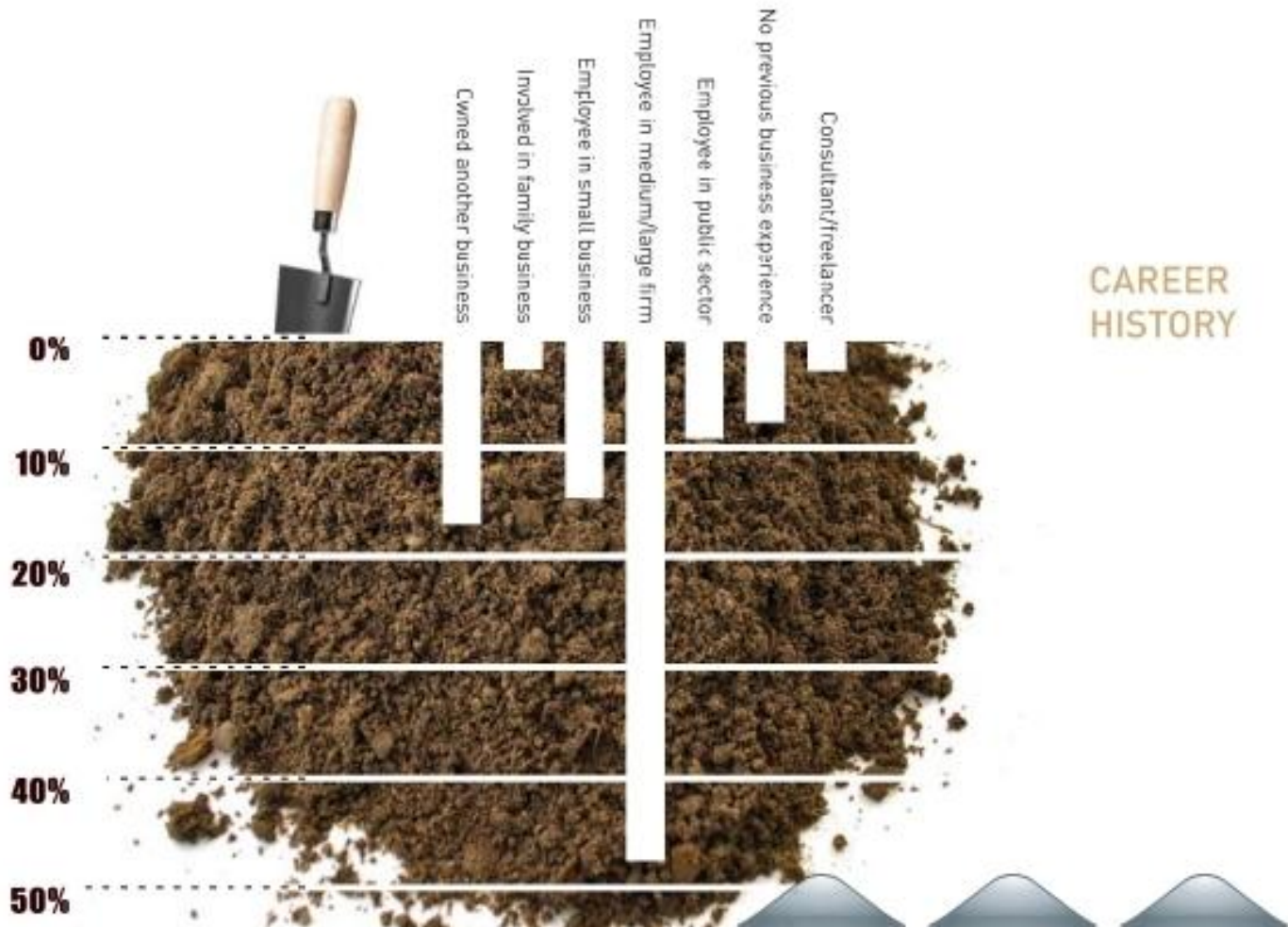
Entrepreneurial Skills / Developing Small Business

Context – Unemployment and Education



- One of the highest adult unemployment rates in Africa – 25% (40% in reality).
- People between 15 and 34 years of age comprise 3/4 of total unemployed.
- Of the younger unemployed, 4 out of 5 never had a job.
- South Africa ranks 125th out of 139 countries with respect to the quality of its education.
- 137th with respect to quality of maths and science education. 2011 matriculation examinations - only 8% of students scored more than 50% for mathematics.

Context – Employment and Education



Where does that leave us?



If most successful and sustainable companies are created by entrepreneurs with a tertiary education and some work experience

and we have an environment where education levels are low, of poor quality and many have never had a job

what are the consequences

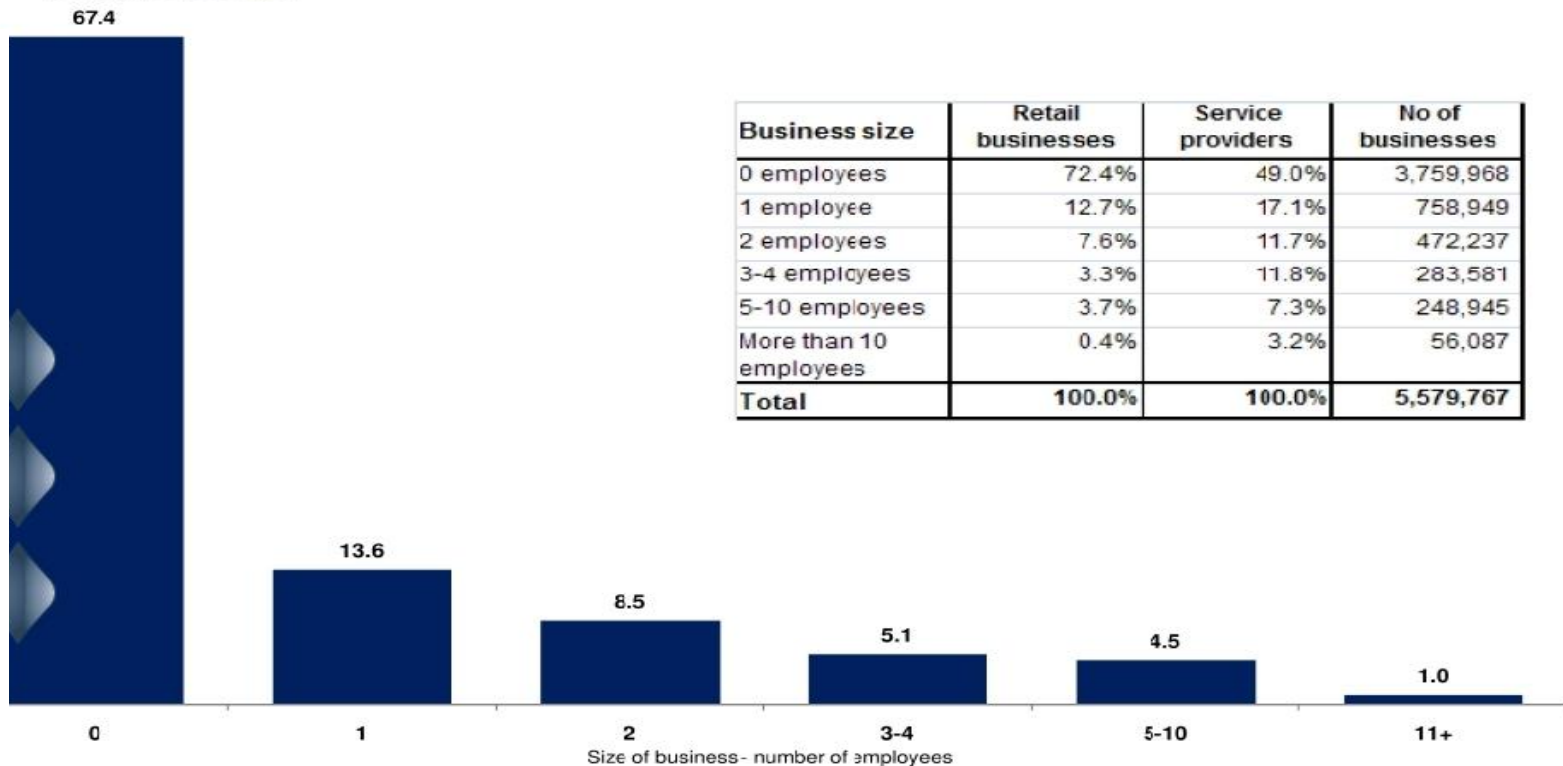
and what can we do about it?

Consequences

Size

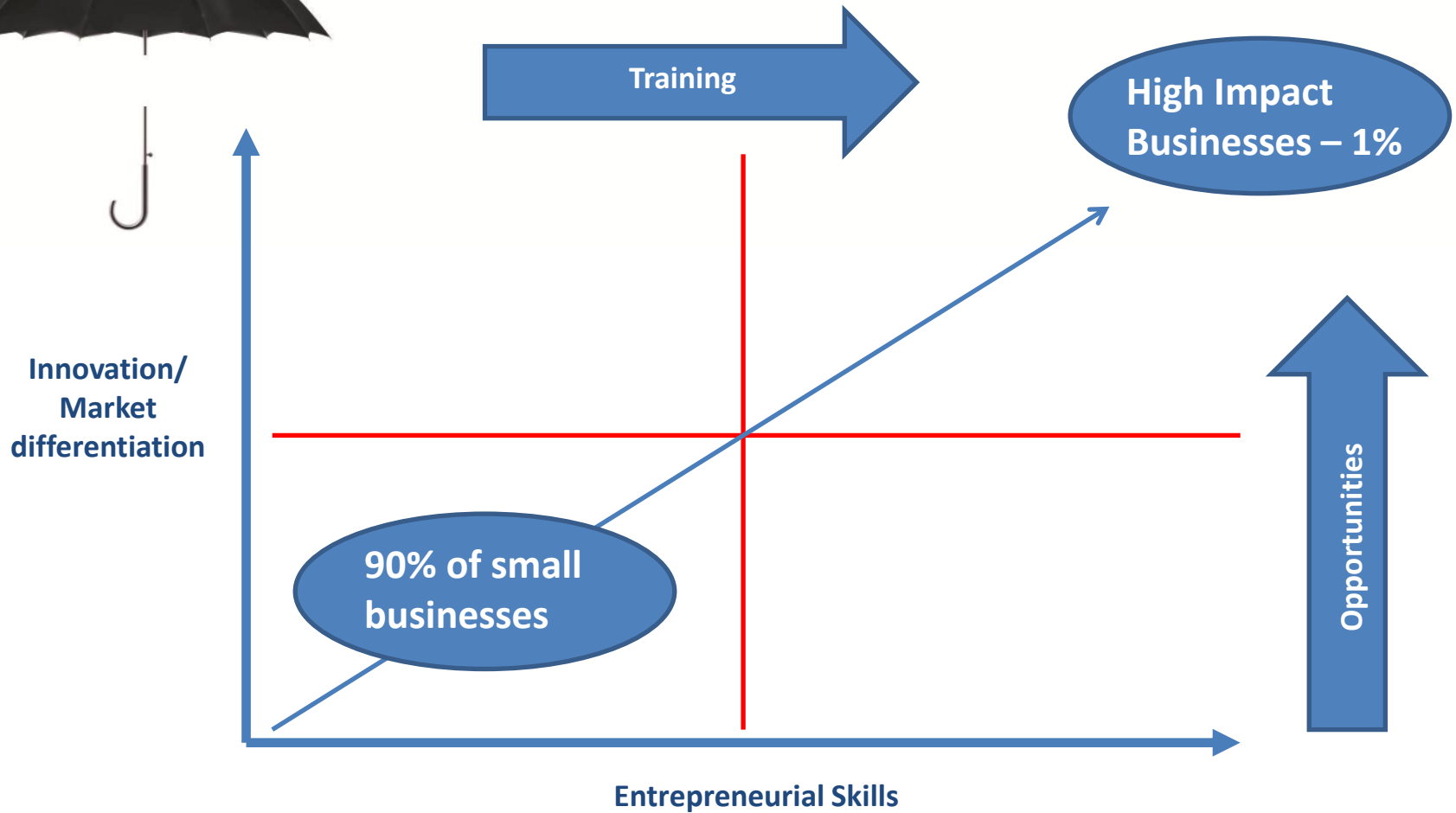


% of small business owners



Business size	Retail businesses	Service providers	No of businesses
0 employees	72.4%	49.0%	3,759,968
1 employee	12.7%	17.1%	758,949
2 employees	7.6%	11.7%	472,237
3-4 employees	3.3%	11.8%	283,581
5-10 employees	3.7%	7.3%	248,945
More than 10 employees	0.4%	3.2%	56,087
Total	100.0%	100.0%	5,579,767

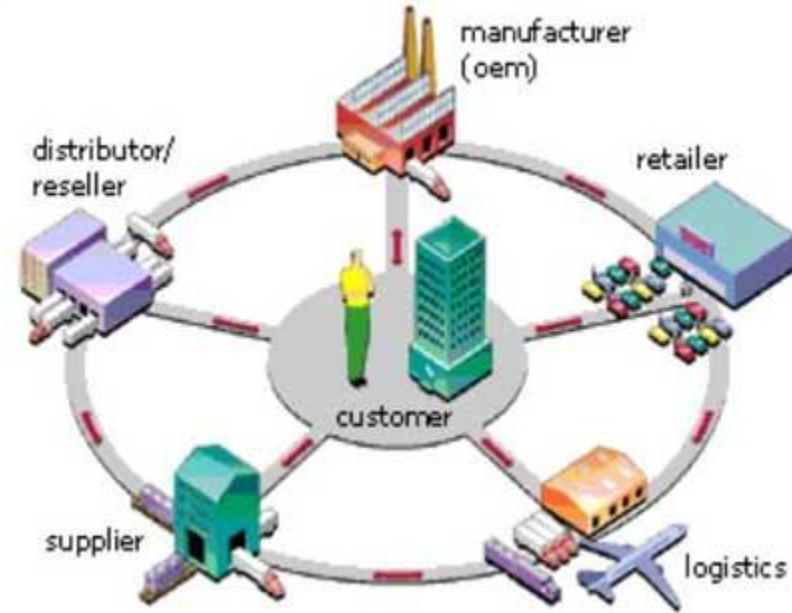
What can we do about it?



Access to markets



- Larger enterprises reluctant to open supply chain to new, small, unproven businesses.
- Incentivised to minimise the cost and risk attached to the purchasing function.
- Smaller firms tend to be costlier, require more effort to develop a number of relationships and are often perceived as having a higher risk profile.
- Concerns exacerbated if small businesses from disadvantaged backgrounds.

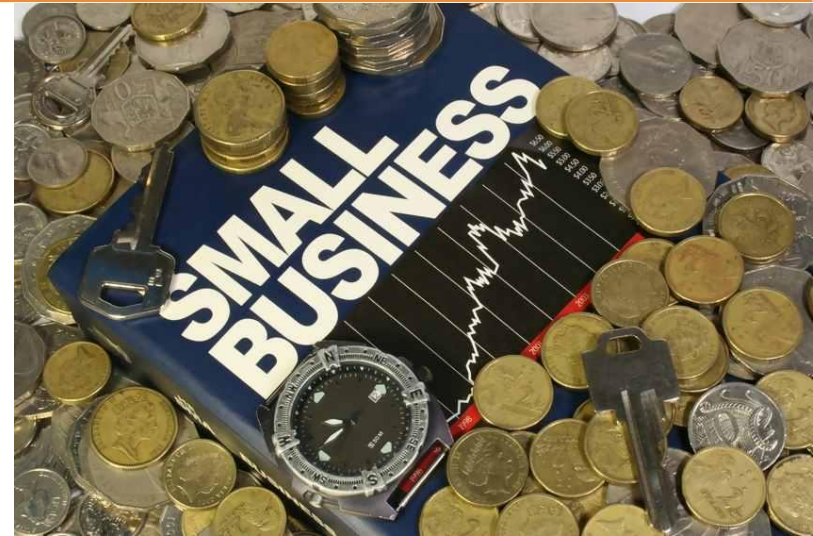


Access to finance



GEM Report

Providing finance in the absence of adequate infrastructure, market opportunities and business and management skills is unlikely to lead to an increase in the number of successful businesses.



- Information provided by entrepreneurs is often poorly researched, the ideas often questionable and unable to present business plans in a usable format.
- Significant number of entrepreneurs from disadvantaged communities did not keep financial records.
- Cash flow difficulties significantly reduced in firms that kept proper records and applied working capital management – 33% to 61% reduction in the probability of an exhausted overdraft.
- Implementing these practices also significantly increased the probability that a firm would succeed in an application for term loan finance.

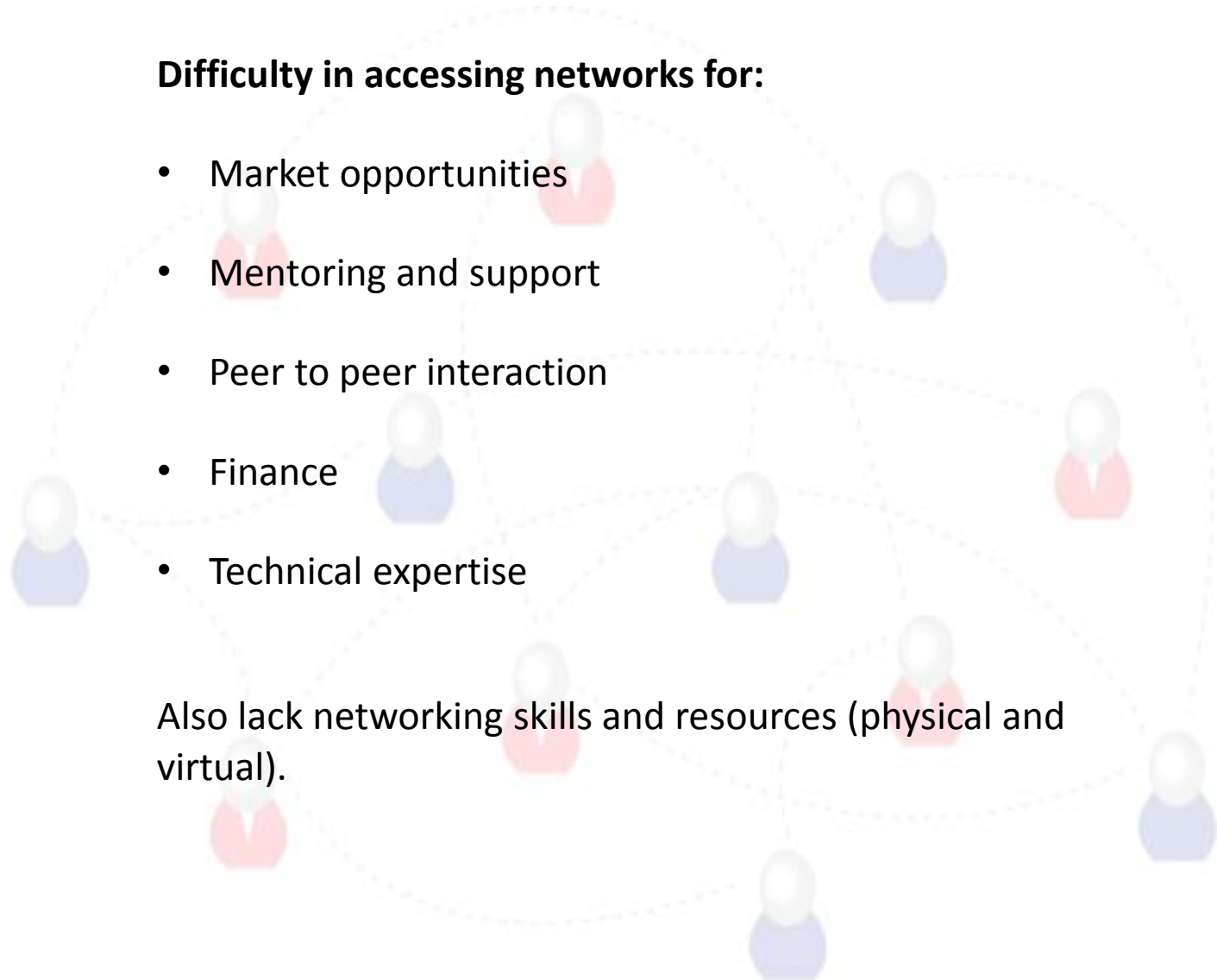
Access to networks



Difficulty in accessing networks for:

- Market opportunities
- Mentoring and support
- Peer to peer interaction
- Finance
- Technical expertise

Also lack networking skills and resources (physical and virtual).





Risk considerations

Incubators mitigate many risks perceived by potential users of small businesses through:

- Rigorous selection procedures
- Provision of premises and infrastructure
- Ensuring proper record keeping and financial accounts
- Training and mentoring
- Compliance with tax and statutory requirements
- Measuring and monitoring

Selection and Recruitment



Concerns:

- homogenous businesses
- many not entrepreneurs - seeking livelihood as unable to find employment
- significant investment wasted if incorrect decision made

Solutions:

- Rigorous selection process
- Pre-incubation programme
- Enables evaluation of business opportunity (feasibility/viability) and person behind business (psychometric tests, background checks)

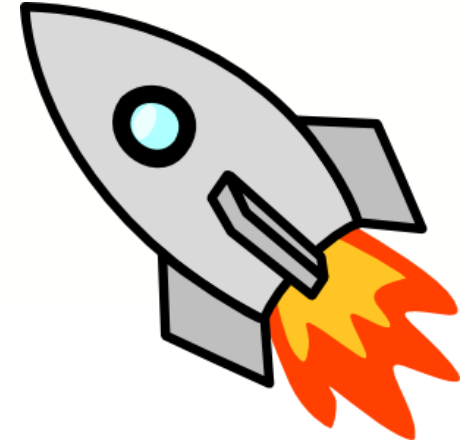
Full/Virtual incubation



- 3 year programme
- Full or virtual incubation
- Ignition (3 months)



- Integration (Post first 3 months)
- Graduation (Last 12 months)



Developing South Africa's Future **Black Businesses** Together.

Thank you and questions

