

**Growing ‘Black Diamonds’:
The Role of the Government in Small Business Development and
Black Entrepreneurship**

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Abstract

One of the most damaging and threatening legacies of the Apartheid system is the enormous wealth inequality gap that still persists today. The gulf between the ‘haves’ and the ‘have-nots’ perpetuates problems of crime, educational attainment gaps and racial isolation and therefore minimizing this inequality is central to future economic stability and national success. In an effort to reconcile past injustices and create a more even and just wealth distribution the post Apartheid government focused on aiding black small business development and spurring entrepreneurship to as a sustainable route to economic growth and job creation. However, as various reports indicate, South Africa suffers from both low entrepreneurial activity and low success rates, particularly in the previously disadvantaged communities. For this reason the work of government programs and policy are particularly important in creating and expanding micro, small and medium sized enterprises.

In order to understand the successes and failures of government aid to small business development I reviewed previous relevant academic literature (with a focus on quantitative studies I would not be able to carry out myself) and conducted additional in-depth interviews. The interviews were conducted with a variety of figures related to the issue of small business development, ranging from government officials at the various programs to academic researchers to entrepreneurs from vastly different backgrounds and with different levels of experience.

While the government’s attempts are well intentioned and widespread, ultimately the government is not as effective as possible. The incredibly diverse group of entrepreneurs is particularly challenging to aid because of the various levels of entrepreneurial experience and education. Poor outreach, an inadequate secondary education system, lack of specialized services and failure to act as an enabling force providing market opportunities for small and medium enterprises limits the effectiveness of government. Fundamental changes in the organizational structure and advertising methods of these organizations as well as a renewed commitment to provide

opportunities in the open market for small businesses and to entrepreneurial education at the secondary level would go a long way to increase government effectiveness.

Glossary:

“Start-Up Enterprise”: A firm that has paid salaries or wages for less than three months. Used in the literature from the Global Entrepreneurship Monitor.

“New Firm”: A firm that has paid salaries or wages for between three months and three year. Also used in literature from the G.E.M.

Total Entrepreneurship Activity:

T.E.A. measures the percentage of people involved in both start-up businesses and new firms in a given society.

Survivalist Enterprise: Businesses that develop as a response to dire circumstances that necessitate entrepreneurship as a means of survival and most often operate within the informal economy

Opportunist Enterprise: Businesses started more often by educated entrepreneurs who see a business opportunity and create a formal business to capitalize and profit from this opportunity

SMME Sector: Small, Micro and Medium-Sized Businesses

Introduction:

The terrible injustices of the Apartheid era stretched to every sector of society and the legacies of these racist policies are still felt today. The socioeconomic inequalities of the Apartheid era threaten the progress of reconciliation, development and national growth. The legacies of Apartheid policies have created a society seriously divided into the 'haves' and the 'have-nots'. While the Apartheid era brought with it a de jure system of racial inequality, the rise of the ANC has seen a continuance of de facto racial inequality on the basis of wealth rather than race. The issues of race and class are inextricably linked in modern South Africa as a result of centuries of racist policies intended to limit black economic growth and confine the black entrepreneurial spirit. It is this basic separation between the rich and the poor that feeds problems of crime, educational outcome gaps and lack of racial integration; all problems that threaten the future success of South Africa. To achieve the goals of a united, democratic and stable South Africa the post-Apartheid government works towards correcting the economic injustices of the previous era and creating a more even socioeconomic distribution: "The government of South Africa—and the Department of Trade and Industry in particular—has constantly stated that our second decade of democracy will be concentrated on closing the gap in South Africa's dual economy" (Khula Annual Report, 8). The problem of economic inequalities seriously threatens the process of racial reconciliation and integration as well as future national stability. The question of how the government can successfully minimize inequality and forge a path of economic reconciliation and retribution while maintaining political and economic stability has been a key issue for over a decade.

The government, recognizing this fundamental separation, has focused its effort on the creation and large scale growth of the black middle class, the 'black diamonds' as they are commonly referred to by social scientists, politicians and business people alike. The development of the 'black diamonds' is an attempt to create a bridge between the poor and the rich and present a stabilizing force with a vested economic interest in the

future success of the nation. The government's decision to grow 'black diamonds', enriching and empowering black people rather than redistributing wealth from the whites, has been followed through with a large variety of programs and legislation, ranging from preferential procurement to skills development programs to a wide scale attempt to restructure the ownership of the domestic economy through leveraged stock sales to blacks. One of the most enthusiastic and promising ways the government tries to grow and develop the black middle class is by promoting small business development and black entrepreneurship.

The development and growth of the small business sector, which is commonly referred to in South Africa as the SMME sector (Small, Micro, Medium Sized Enterprises), is at the core of the government's plan to reduce unemployment, achieve robust GDP growth and reconcile the dual economies. Thabo Mbeki, at the July 2004 opening address to the World Conference of the International Council for Small Business states that the SMME sector has "significant economic potential and the government is firmly committed to the sector's growth and development" (Wood 2005). Internationally the role of small businesses is enormous-- "in developed countries small businesses contribute up to 60% of GDP" (RED Door Service Centre Overview). The government of South Africa followed this model as a way to increase its own economic growth while minimizing unemployment, an enormous problem in South Africa with international assessment figures placing the national unemployment slightly under 30% (International Labor Organization). Over the past decade the international social science community shifted its consensus opinion on the role of small business development in emerging markets. Recognizing the fiscal limitations of developing economies' government spending and public sector employment, spurring growth in the SMME sector is now seen as a sustainable, organic and effective way to minimize unemployment and contribute to GDP growth (Quesada, 10). While new firms and start-ups currently produce about 1/3rd of all jobs in South Africa, there is still significant room for growth in this area.

Although the figures in South Africa appear to signify a success, when compared to other developing economies it becomes clear that South Africa lags significantly in successful entrepreneurial development and small business contribution to the national

economy. The failure of small business development and entrepreneurial development severely limits economic growth and the reconciliation and bridging of the ‘two economies’. In a study done by the Global Entrepreneurship Monitor, South Africa had the lowest Total Entrepreneurship Activity of any of the developing countries studied, with a T.E.A of 6.5%, compared to an average of 12.9% and the high in India at 17.9% (Wood and Orford 2004). Additionally, this same report by the G.E.M pointed out that South Africa was particularly weak in fostering “New Firm” entrepreneurship. This issue is especially significant in surveying the small business landscape in South Africa because “New Firms” are more strongly associated with GDP growth and employment creation than simple start-up activity—to put it most bluntly, the kind of entrepreneurship that is particularly helpful is particularly low in South Africa. Almost across the board South Africa has lower entrepreneurial activity, lower survival rates of young firms and lower contribution by small businesses to GDP growth and economic than the other developing economies (Wood 2004). All of these issues regarding entrepreneurial successes and failures play a pivotal role in the direction of the economy and the direction of the country.

South Africa is currently at a historically significant point with regards to economic development. Sitting on a precipice, the country could fall victim to the beasts of debilitating crime, stifling unemployment and almost unparalleled inequality or it could soar on the wings of the largest economic boom this country has seen since WWII (Steyn). Having conquered the macroeconomic monsters of the late 1980s and early ‘90s by reducing fiscal debt, improving competitiveness, lowering the inflation and real interest rates and adding transparency to the economic decision-making, the government has successfully stabilized the economy and achieved a decade of consistent growth (Dobson). Although this economic growth is impressive given the terrible economic disarray the ANC government inherited from the Apartheid government, the racist legacies of the apartheid era persist as this boom has not affected all citizens equally. Through well-known legislation and programs such as the National Empowerment Fund, Black Economic Empowerment, Employment Equity Act and the National Small Business Act, the government has attempted to rectify the past injustices. Ultimately though, the alarming rate of South Africans living below the poverty line, estimated

around 40% (Robinson), the crippling crime and the widespread unemployment still point to a society suffering. Given the aforementioned potential power of the small business sector and the current failure of South African entrepreneurship on a global continuum, understanding the ways in which government fails and succeeds in spurring small business development is both timely and necessary.

Objectives:

As an aspiring social scientist and economist I am particularly interested in the overlap between government policy and issues of employment, economic growth and development. The question of how government can spur a just, sustainable, organic and empowering form of economic growth has implications far beyond the situation in South Africa but is pertinent to the entire developing world as well. As the tentacles of globalization, and multinational corporations in particular, begin to reach every corner of the earth, developing a blue-print for internal growth rather than exploitation by outside forces is of utmost necessity. Small business development and inspiring and galvanizing the local entrepreneurial spirit worldwide can be a positive route to economic development—an almost utopian vision of world progress that would uplift rather than enslave, utilize rather than exploit the skills and resources of the previously disadvantaged. It is for this broad reason that I have decided to study the role of the government in the process of small business development.

More particularly, I hope to understand through my research and explain through my writing the ways in which the government helps, and fails to help, entrepreneurs at all levels of business development and at all points on the socioeconomic spectrum. Additionally, using the previously cited Global Entrepreneurship Monitor as a base for exploration, I will explore and hopefully understand many of the reasons for the low entrepreneurial success rate and low entrepreneurial activity in South Africa. Along this same theme I hope to gain insight into the main barriers to entrepreneurial success within the South African context and also learn the steps the government has taken to help entrepreneurs overcome these problems or minimize the initial barriers. In the end I hope to have an understanding of the holistic entrepreneurial picture in South Africa and

understand the ways that these entrepreneurs view the government (i.e. as a tool, as an impediment, as a bureaucratic nightmare, etc etc).

Structure:

This paper is broken into five main sections. The first section of the paper is the introduction to the topic and explanation of the objectives. In this section I hoped to communicate to the reader the general research topic as well as the need for and importance of this type of research. In the second section of the paper I will conduct a literature review, summarizing some of the research on issues of entrepreneurship and small business development both in the international community and within the South African context. This section will provide a base understanding for the reader of the key issues surrounding entrepreneurship and small business development and will also place this report within the context of other academic research. In the third section of the paper I will address the methodology I used in my research.

The fourth section of the paper is the largest section of the paper and contains the main findings of my research. To begin this section I will restate the questions posed at the beginning of my research and express my main argument statement—most simply, while the government has the right intention and has conceived numerous programs and pieces of legislation to aid small business development, ultimately problems such as poor outreach, an education system that fails to develop the entrepreneurial spirit, a lack of specialized services targeted to the various levels of entrepreneurs and businesses, and a failure to create market opportunities for small businesses has minimized the positive effects government has in the process of small business development. In the next section I will work through the history of legislation surrounding black economic empowerment and more particularly legislation around black small business development. This history will segue into the next section, which focuses on four of the most popular programs of business financing, mentorship and consulting currently active in South Africa: Khula, RED Door Initiative, Umsobomvu, and the Small Enterprise Development Agency.

From this point I will borrow an idea presented to me by Tony Morphet, a researcher commissioned by the government to write a report on the RED Door Initiative, about the many “bands” of entrepreneurship. This idea of “banding” serves as the

ideological base for this next section. Recognizing that not all entrepreneurs nor all businesses are created equally, social scientists and policymakers in approaching this work have separated the field into many “bands” and I will break it down into three bands. In the first sub-section I will look at the first band, the entrepreneurs struggling to get off the ground working in the informal economy. In the next sub-section I will look at the plight of the second band, the entrepreneurs operating micro sized businesses with minimal, and often zero, employees in the informal or formal economy. In my third sub-section I will discuss the third band, small and medium sized enterprises run most often by well-educated businesspeople. Each sub section will address the unique challenges faced and the unique ways that the government succeeds and fails in helping these various constituencies.

The next section of the body will include a discussion of my key findings as well as further illumination of the problems addressed in the argument statement. As a budding social scientist I believe all research should be completed with an eye towards policy implications or potential concrete plans of action to bring about positive change, and therefore I will conclude each part describing problems with government programs with policy suggestions and substantive implications brought out by my research.

The fifth and final main section of the paper will be the conclusion in which I address how my research fulfilled my original objectives and how the research ties into larger issues of economic development.

Limitations of the Study:

As a result of the time frame of this study the main limitation to the research is the small sample size. Because I had only three weeks to research the subject as well as contact and interview my subjects there was a tough constraint on the number of subjects possible to be interviewed. For this report I interviewed ten people. Because of this small sample size it makes extrapolation and larger conclusions difficult to draw and additionally because of this small sample size I was unable to carry out a quantitative survey of entrepreneurship in South Africa.

However, regardless of the small sample size I was successful in getting interviews with people from all different backgrounds and viewpoints. Within my ten

interviews I was able to accomplish my original goal of speaking with people from all different sides of the entrepreneurial landscape. I interviewed government officials, a researcher who had recently completed critical work on one of the government programs studied, entrepreneurs struggling to get finance and their businesses off the ground, an entrepreneur operating in the informal economy, ambitious university students hoping to enter the corporate world both through their own businesses as well as employment at larger firms, and a successful entrepreneur running with decades of corporate experience both a small and medium sized enterprise. Considering my relatively small sample size, the breadth of my interviews gave me a host of lenses to understand the role of government in small business development and a variety of windows into the small business world in South Africa.

Additionally, through academic research I gained access to both quantitative and qualitative research that complemented my own work. Ultimately the breadth of backgrounds and variety of viewpoints of my interview subjects in conjunction with the quantitative analyses accessed through other reports minimize the potential limitations of this study.

Literature Review:

Additionally, studies and presentations done by the Global Entrepreneurship Monitor co-authored, and A significant amount of the relevant material on entrepreneurship both within South Africa and comparing entrepreneurship and small business development across develop economies was done by John Orford and Eric Wood for the Global Entrepreneurship Monitor. This work, generously offered to myself by University of Cape Town Business School Professor Eric Wood, contextualized the entrepreneurial situation within the international community and provided significant quantitative analysis of entrepreneurship in South Africa. Additionally, a recent graduate-level thesis at the University of the Western Cape entitled “The Role of Provincial Government Support in the Development of Black-Owned Small Tourism Businesses in the City of Cape Town” provided a local quantitative survey that included the general role of government in the small business sector as well as summarized a lot of the previous research on the general issue of small business development. As discussed earlier, South

Africa suffers both from low entrepreneurial activity and low success rates among small businesses. The lack of black entrepreneurial activity was for a long time explained as the result of an apartheid legacy of economic policy that purposefully stifled the black entrepreneurial spirit and an unequal education system that trained blacks only for menial labor, thereby severely stunting intellectual development. After the fall of apartheid and the rise of the ANC, the government focused heavily on black economic empowerment and skills development, particularly strengthening these efforts in the late 90's and beyond. Regardless of the special emphasis placed on the development of the SMME sector in South Africa, between 2001 and 2004 the G.E.M. surveys noted no significant changes in the T.E.A and a 2003 D.T.I. report confirmed a stagnant growth situation and a lack of successful transition from survivalist to opportunist opportunities (Quesada, 26).

As outlined in a 2004 study by John Orford and others, there were five key challenges facing small business development: 1) excessive regulation restrains performance in the SMME sector, 2) SMMEs operate in a very competitive environment dominated by large companies, 3) a severe shortage of business links and networks between various small businesses, 4) limited access to financing and 5) lack of entrepreneurial skills that is often related to a poor education system or minimal skills development programs (Quesada,11) In 2001 and 2002 poor education and minimal training systems were regarded by experts as the most serious issues facing entrepreneurship in South Africa, but in 2003 financial support took the top spot (Quesada, 31). Other problems oft cited in the academic material were lack of business networks and support (Morphet 11/19/07). In the 2005 review of black owned tourism small business in the Western Cape using a smaller sample size than the GEM studies, the author noted that lack of awareness was regarded as the most important factor that contributes to small business failure (at 81.2%) with lack of entrepreneurial skills was the second most important factor (71.8%) and lack of finance was third (69.2%) (Quesada, 75). However, for this sample almost everyone was college-educated and so educational level was not an relevant reason for small business failure.

The success rate for white owned small businesses is significantly higher than that for black-owned businesses (Quesada, 20) and therefore one must focus particular attention on the struggles of the black South African entrepreneur. As stated by Njobeni

in a 2004 study, “lack of skills, finance and access to markets, are among the aspects that contribute to inhibiting the development of SMMEs among previously disadvantaged groups” (Quesada, 20). However, further research by Njobeni notes that there are bad signs about financing for black owned businesses—regardless of the indication that the borrower will pay back the loan, banks reject blacks at a higher rate than whites because historically it was more risky (Quesada, 25). This points to not only historical injustices but also institutionalized racism as a reason for the lower success rates amongst blacks.

In a research paper completed for the GEM and presented at the first GEM research conference in April of 2004, Orford and Wood addressed the question “Why are some developing countries more entrepreneurial than others?”. The research, the first of its kind, compared entrepreneurship across developing markets such as South Africa, India, and Argentina and came to interesting conclusions about the issues facing South African small business development currently. The researchers found that entrepreneurial self-confidence and self-efficacy were both incredibly important in entrepreneurial development and success rates: “The higher probability of entrepreneurial self-confidence in Argentina and India provides a compelling explanation for the higher rates of new firm and opportunity-based entrepreneurial activity in these countries” (Orford and Wood 2004). Additionally, the percentage of South Africans who believe they have the skills to launch a new business and also perceive good business opportunities is significantly lower than the same figures in Argentina or India (Orford and Wood 2004). The differences in self-confidence and perception of good business opportunities is insignificant amongst those with tertiary education across all three countries. However, once the affects of age, gender, education, current employment and exposure to previous entrepreneurship are taken into account, Argentineans and Indians are significantly more likely than South Africans to have entrepreneurial self-confidence (Orford and Wood). Ultimately the researchers pointed to a failure in the secondary education in South Africa as one of the main reasons for the comparably weak entrepreneurship and argued for an educational system in South Africa that developed the entrepreneurial spirit and attempted to cultivate self-confidence and self-efficacy amongst the students. Unfortunately this research did not address the potential confounding factors nor did it discuss the “what came first, the chicken or the egg?” debate—is the high self-confidence

and self-efficacy in the Indian and Argentinean entrepreneurial communities a result of the confidence gained from business success or is the business success a result of these personality traits? Are there other government policies or programs in these countries that South Africa has not adopted that in fact cause the high success rates? Regardless of these unaddressed issues, this work is incredibly helpful in presenting the historical and international context to understand entrepreneurship in South Africa. The explanations for low rates of entrepreneurship and low success rates provided by these researchers as well as Lemay Quesada, author of the UWC thesis, provide a solid foundation for further research.

Methodology:

For this report I have used a combination of academic research and in-depth interviews in order to answer my original questions and fulfill my objectives. My decision to combine academic research and in-depth interviews with people directly engaged in small business development (either as an advisor, loan officer, entrepreneur, etc) was the result of a personal desire to obtain a holistic, intellectual, and well-grounded understanding of entrepreneurship. I wanted to combine an academic understanding of the context and the theoretical issues surrounding entrepreneurship with a more ‘sweat-and-tears’ understanding of small business development—I hoped to learn about the issue from both the social scientists who spent their time studying it and from the people on the street spent living it.

For the academic research I scoured as wide-ranging a set of resources as possible, ranging from academic journal articles, to previous quantitative analyses, to newspaper and magazine articles. I used such a wide array of secondary (and primary) sources in order to understand the issue of black entrepreneurship and small business development from as many viewpoints as possible. The authors of these resources range from economists and business management studies concentrators to more traditional print journalists and therefore my academic sources have helped to enlighten my understanding of the issue of entrepreneurship from many different angles. Additionally, I focused on the literature comparing entrepreneurship across many different developing

economies in order to place South Africa within an international context as well as force myself to think about both the universal concepts behind small business development as well as the more country-specific issues.

Much like my academic research, I conducted my in-depth interviews with an eye towards getting as broad of an understanding as possible about the issue of government involvement in small business development. I spoke to people that approached the issue entirely differently and therefore was able to maximize my limited time studying the issue as well as learn about the issue from a multitude of viewpoints. My interviewees are as follows:

- 1) Stephen Curry; Loan Officer and Manager at Umsobomvu Youth Fund, Cape Town
- 2) Noko Maoka; National Manager of Volunteer Mentorship Program, Umsobomvu
- 3) Miguel Biambi; Barber and aspiring entrepreneur
- 4) Dudu Galo; Secondary teacher of Management Science; Entrepreneur
- 5) Odwa Galo; University Student; I.T. Specialist, Truworths
- 6) Shamiel Mathews; Experienced entrepreneur; Co-Founder of 100-person call center; Founder and CEO of project management company
- 7) Elvis Sekhaolelo; Deputy Chairperson of Black Management Forum at University of Cape Town; budding entrepreneur
- 8) Lillian Molake; Chairperson Black Management Forum Cape Town; budding entrepreneur
- 9) Tony Morphet; Researcher commissioned to write report on RED Door Initiative
- 10) Adam; Entrepreneur and small businessman; owner of various street food/cigarette carts

Ultimately, in order to answer my original questions and fulfill my objectives it was necessary to combine academic research, including analysis of previous quantitative surveys, and in-depth interviews to understand the challenges faced by entrepreneurs and role of the government in aiding small business development most holistically.

Findings:

Key Research Question:

My research aims to answer the following key questions:

In what ways does the government aid black entrepreneurs along the process of small business development? How have these policies and programs been received by the black entrepreneurial community and has the government served as a beneficial and useful tool for the people in the process of small business development?

Argument Statement:

The ANC government has the right intentions in actively promoting small business development and creating programs and legislation to help spur growth of the black middle class and aid black entrepreneurs. As a result of almost a decade of legislation and economic policy there are a large variety of programs and policies meant to help the entrepreneur and small business owner. However, considering the positive intentions and impressive array of programs, the government's beneficial effects on the black entrepreneur are not nearly as widespread and tangible as expected nor as they could be. Partly a result of a legacy of unequal education, partly a result of ineffective outreach by the government programs, and additionally partly the result of an incredibly diverse target market, the government programs struggle to align with a distinct constituency within the variant groups of entrepreneurs and once connected the government programs fail to contribute significant value-added services. Additionally, the government does not succeed in enabling small business growth—they fail to create and protect small business opportunities in the open market and therefore the larger companies dominate the competitive market.

One of the main problems is that government fails to clearly define their goals. Currently there is a lot of overlap and duplication of services rather than specialized programs targeted to specific levels, or “bands”, of the entrepreneurial spectrum. If the

goal of government is to empower communities and provide entrepreneurial opportunities for the most disadvantaged citizens then government fail because the education system has by and large not trained this constituency well enough to write formal business plans or have the self-confidence and business acumen to enter the formal economy. If the goal of government is to help graduate businesses from the micro and small scale to medium sized enterprises, thereby adding significantly to GDP growth and employment, then the government fails because their offerings are too simple for this level of well-educated and experienced entrepreneurs and because they are not creating, protecting or guaranteeing significant market opportunities for small businesses. The government has all of the right intentions and an impressive plethora of programs. However, government should consolidate the programs and begin to cater to more specific “bands” of entrepreneurs, develop skills development programs for the most basic level of entrepreneurs, place special emphasis on entrepreneurship and business confidence at the secondary level of education, begin on a widespread grassroots marketing and outreach effort and commit itself more firmly to enabling and protecting small business opportunities in the open market. If government follows these steps it would greatly improve its effectiveness and move closer towards the goal of using small business development as a means for community empowerment, GDP growth and job creation.

History of Economic Decision-Making/ Small Business Development

The Challenge:

In 1994, when the ANC took over the reigns to government, the economy was in a state of disaster, suffering from double-digit inflation, real GDP decline and disastrous unemployment and poverty figures (Robinson). On top of that, decades of racist educational policies had stunted the intellectual and entrepreneurial development of South Africa’s most important natural resource—its people. The market was highly concentrated with a few companies controlling a majority share of the domestic economy and enormous factories, which employed on average twice the amount of people as the average European factory, dominating the employment landscape (Hirsch 198). For the ANC government, “having entered the political kingdom, the goal was now to enter the

economic kingdom” (Hirsch 5) and it would take a combination of macro and micro economic policies to achieve this goal.

Government Steps In

The government, believing that the economic landscape was too dominated by conglomerates and enormous corporations, passed the National Small Business Act in 1996 in order to “provide an enabling environment for small, medium and micro-enterprises (SMMEs) and to establish several institutions to provide financial and other support to entrepreneurs” (SA Government Report, 7). This legislation provided the basis for the creation of many programs such as Khula, Centre for Small Business Promotion, Ntsika Enterprise Promotion Agency and others—the same companies (or the parent-companies of those) that still exist in the market for small business development, financing and mentoring today. This general plan of government aided empowerment and financial reconciliation continued with the Employment Equity Act of 1998, simultaneously guaranteeing equal opportunity and preferential treatment to those with previously disadvantaged backgrounds, the creation of the National Empowerment Fund in 1998, a trust to provide disadvantaged people with the ability to acquire shares and increase black ownership of the domestic economy, and the Preferential Procurement Act in 2000. In February of 2001 President Mbeki, recognizing the success of macroeconomic policy but the failure of microeconomic growth, announced a new ‘integrated action plan’ to “deepen the structural changes in the economy and strengthen the institutional capacity to deliver services and products that will facilitate social and economic development” (Dobson 2002). All of the mentioned policies were strengthened and further entrenched under the umbrella Broad Based Black Empowerment Act, discussed for nearly a decade and the final version ultimately passed in 2004.

BBBEE is a process that “includes elements of human resource development, employment equity, enterprise development, preferential procurement as well as investment, ownership and control of enterprises and economic assets” (SA Government Report, 12). The enormous sums of money dedicated to the program, R2.2B in FY2003 alone, rising to R4B the very next year, made BBBEE the public face of economic reconciliation (SA Government Report). Although the majority of deals funded through

the National Empowerment Fund by number were for black people to start their own businesses (78% of deals by number), in contrast, the majority of the value of the fund (72%) was spent helping blacks gain equity in white-owned (Fund Boosts Black Entrepreneurs). As a 2004 report by TIME magazine reported, 8 of the top 10 largest BEE transactions in 2003 involved just three men, all with ANC connections (Robinson). This statistic only confirmed what had been assumed by many—that while B.E.E. did bring forth a new generation of incredibly wealthy black business leaders, many of whom were politically connected, there was “limited success in bringing about substantial increase in the number of black people owning, controlling and managing sufficient and important parts of the economy” (South African Government, 11). While B.E.E most notably attempted to create black ownership of the domestic economy, another important program under the umbrella of black economic empowerment was the dedication to aid black entrepreneurship that had been stifled for decades.

In what is being labeled as the ‘third wave of black economic empowerment’ there is a heightened importance placed on black entrepreneurship and small business development: “the distinguishing factor of the third wave of BEE is that black people start their business from scratch and grow them through the procurement and enterprise development that arise from BEE” (Jack, 111). This new strategy, recognizing small business development as a potentially powerful tool for GDP growth and job creation, followed the understanding that “enterprise development enables start-up enterprises to receive operational and financial capacity in order to make it more sustainable” and that “the biggest payoff of [this development] is job creation and development of black skills” (Jack, 111). Although there are many visible barriers to success, such as skepticism of the black business community, inability to access financing and potential insufficient skills, ultimately government decided that “creating wealth with the objective of uplifting communities, providing opportunities and access and fueling entrepreneurs...is the high road to sustainable growth” (Fakuke, 205). The 2005 merger between struggling Ntsika Enterprise and the more successful National Manufacturing Advisory Centre to form the national Small Enterprise Development Agency signaled a new front for small business development and the government pledged to spend R2B on black entrepreneurship between 2004 and 2007 (Hirsch 227).

The Current Landscape: The Numbers

As of September 2006 when SEDA did their last Small Business Trends Analysis report, there were a total of 2.5 million small enterprises, including subsistence farmers. Of those there were 600,000 in the formal sector, 1.5 million operating in the informal sector and another 500,000 subsistence farmers (SEDA Trends Analysis, 7). The report also recognized another 700,000 to 1.2 million enterprises in the seed stage. The Global Entrepreneurship Monitor estimates around a million new start-up enterprises between the informal and formal sector annually over the past six years. These statistics of entrepreneurship in South Africa mask a significant problem—the inability of enterprises to graduate from the micro stage to the small and medium stage, where businesses contribute much more significantly to GDP growth and job creation. The enormous number of businesses operating in the informal sector is a particular problem for government both because it is hard to monitor and tax these enterprises and also because they historically add minimally to job creation—almost 85% of businesses operating in the informal sector are one-person businesses (Wood 2003). Very small enterprises, employing between five and twenty people, were 40% of total enterprises and 30% of the share of employees while the small enterprises (between 20 and 50 employees as defined by the researchers at S.E.D.A) were only 8% of the total enterprises but accounted for nearly 25% of the employment. The contribution to the GDP by the SMME sector varies between 27% and 34% while larger enterprises contribute between 40 and 50% (SEDA Trends Analysis).

In a 2005 G.E.M. presentation, the author, Eric Wood, broke down the sectors slightly different but still noted similar differences in successful job creation by the various sectors. The 1 million entrepreneurs in start-up businesses yield only .13 jobs per business, and a net of only 140,000 new jobs between March of 1999 and July of 2002. The 460,000 new firms yield 2.17 jobs per business and a total of 1 million new jobs in the same time frame (Wood 2004). Their research showed that start-ups create only 4% of total employment whereas new-firms create 28% of employment and therefore there is

a government need to focus on aiding the transition from the start-up to new-firm phase (Wood 2004).

Finally, noting the need for government aid to rectify historical inequalities and address recent racial discrepancies in small business success rates, the researchers at the G.E.M also did a specific study of township entrepreneurship. The 2002 study of township entrepreneurs found expected trends; 88% of entrepreneurs are in the informal economy and on average employ only .8 people whereas the 12% of business operating in the formal economy employ 7.2 people per business. 58% of the entrepreneurs that operate in the informal economy earn less than \$300 a month whereas only 25% of those that operate in the formal economy earn less than \$300. Finally, apropos the researcher's other findings, they found education to be a significant indicator of involvement as only 35% of those in the informal economy have a secondary or tertiary education whereas almost 75% of those in the formal economy do (Wood 2004).

The current entrepreneurial landscape is dominated by micro sized businesses operating in the informal economy that unfortunately add little to job creation or GDP growth. The clear statistics on the importance of black entrepreneurship and particularly small and medium sized new firm development pushed the government to develop a wide array of programs intended to provide financial support, mentoring programs, business plan writing, basic consulting and more.

Government Programs

While there are countless public, private and non-profit programs aimed at aiding entrepreneurship and small business development, for the purposes of this paper I focused my research on four of the most popular, well-utilized and oft-cited government programs.

Khula:

Khula is one of the most long-standing government programs, operating for more than a decade as one of the main financial facilitators for the growth of the SMME sector in

South Africa. Khula, which means “grow”, was founded in 1996 as part of the National Small Business Development Act to serve as an independent wing of the Department of Trade and Industry. Khula specializes in financial assistance and loan support, leveraging countless ties to the public and private sector as well as channels to commercial banks, specialist funds, retail financial institutions and joint ventures in which Khula is a shareholder. Currently Khula operates mainly through retail financial intermediaries. The organization serves as a liaison and complementary financial institution to more traditional commercial financial banks. Khula is currently in the works to develop a direct loaning platform of its own. As a financial intermediary Khula has been incredibly effective in securing loans for its customers, reaching a record high value of approvals in the 2007 fiscal year of R746M, up from R462M the year before (Khula Annual Report).

With regards to outreach, often the achilles heel of these programs, Khula has combined a national media campaign with more location specific “road shows”. First Khula launched a major national radio campaign, presented on five major SABC African language radio, in which Khula sponsored and led discussions on issues related to the SMME sector. Additionally, as part of the “Taking DTI to the People” campaign, Khula officials made presentations at a variety of provincial investment conferences, small business expos, trade shows and DTI related road shows.

Small Enterprise Development Agency:

Another government agency that aids the small business development is the Small Enterprise Development Agency (SEDA). SEDA, as discussed previously, was formed when Ntsika Enterprise and the more successful National Manufacturing Advisory Centre merged. SEDA aims to “support the growth of small enterprise in South Africa, to help create a better regulatory environment for small enterprise, and to encourage a culture entrepreneurship” (SEDA Report 2007). SEDA hopes to create a national and regulated network of branches, one in every district municipality, where budding entrepreneurs can go either for help starting a new business or strengthening and expanding an existing one. SEDA rolled out this national network in 2005 with expansions continuing well into 2006. SEDA focuses 80% of its resources and efforts at the emerging market and new

business creation and 20% of its energy to assist already established businesses in the SMME sector, helping them grow and create more jobs (SEDA Report 2007). As a national organization SEDA attempts to help a wide constituency and offers a national call center so people anywhere can call, fax or e-mail and connect with a customer relations consultant. In addition SEDA sponsors an annual National Small Enterprises Summit in order to allow for small business owners to share 'best practices' and to review the process made in small business development. SEDA has a large national advertising program focusing mainly on print and electronic media advertisements. Organization representatives participate in the Vuk Uzenzela radio show, morning drive shows, as well as place advertisements in City Press Money, Big News, Succeed magazine and more.

Umsobomvu:

Recognizing a particularly high unemployment rate amongst the nation's youth, the government started the Umsobomvu Youth Fund in 2001 to create opportunities for young people to obtain useful skills, find job opportunities or start their own business. The Umsobomvu Youth Fund was founded to "facilitate and promote the creation of jobs and skills development amongst South Africa's young people" (Curry 11/14/07). Umsobomvu focuses on problems of unemployment and underemployment amongst South Africans aged 18-35 and aims to create sustainable livelihoods by aiding entrepreneurial development and self-employment and helping the youth to navigate the existing job market. Umsobomvu operates many programs aimed at achieving these goals. As a financial lender Umsobomvu offers enterprise finance (loans between R1,000 and R100,000) as well as franchise funds (loans and contacts to help entrepreneurs open a branch of an existing franchise) and a general fund that can grant loans from R100,000 to R8 million. Umsobomvu Youth Advisory Centres (YAC) are larger offices and walk-in centers that offer, along with the various finance funds, career guidance and counseling, as well as a voucher program which includes non-financial business services such as business plan help, marketing advice, feasibility studies and accounting advice. These YACs also offers a JOBS database for young people and employers to register and search for jobs, internship and learnership opportunities as well as a BOSS database for young

entrepreneurs to register and search for business and procurement opportunities. The organization also offers classes on life skills training, entrepreneurial development training, cooperative training and bridging the transition from school to work. Umsobomvu also offers an exhaustive array of literature and brochures about every topic one would need to start a business or get a job.

On top of these many offerings, Umsobomvu has two extra programs that separate it from the standard “one-stop shop” approach that many of the other organizations take to small business development: the Mobile YAC’s and the volunteer mentorship program. In order to combat problems of minimal rural development and unequal geographic involvement in the formal economy, Umsobomvu operates large trucks that drive into the rural areas to spread the lessons and offerings of the organization to previously untouched areas. The drivers of these trucks serve as mediating agents who can dispense advice, recruit potential entrepreneurs and help connect these entrepreneurs to a larger market and support network through the laptops with internet accessibility on-board the truck. The mobile unit that is planned when the Cape Town YAC office begins to operate fully will travel from 100 to 250 KM from the City (Curry 11/14/07).

The other offering that separates Umsobomvu from its peers is the Volunteer Mentoring program, the only one of its kind. Because of the financial, logistical and personnel restraints of these organizations, follow-up and ongoing relationships with entrepreneurs was a weak point across the board (Morphet 11/19/07). Umsobomvu created a volunteer mentorship program in which retired businesspeople serve as mentors for young entrepreneurs for 18-24 months and therefore Umsobomvu managed to navigate around this significant barrier to success. These mentorship pairs are required to provide quarterly progress updates to the central Umsobomvu office, although they are trying to increase staff capacity and contact each pair once a month to guarantee closer relationships (Maoka 12/4/07). Additionally, a large part of business success comes from the formulation of support networks and most previously disadvantaged youths from poor areas don’t have the opportunity to develop this network organically. This volunteer mentorship program has the potential to aid the development of these necessary business support networks. While the program has been criticized as ineffective because of a lack

of qualified mentors, Umsobomvu is in the process of developing a more aggressive campaign that includes “regular adverts and business seminars (e.g. Breakfast, lunch or dinner) functions inviting prospective mentors from local businesses” (Maoka 12/4/07). This program has spawned interest from other small business development organizations, such as SEDA, hoping to start its own form and although there are still many kinks to be worked out it’s a creative and innovative step in the right direction.

The outreach and advertising campaign at Umsobomvu is intensive and comprehensive. Umsobomvu advertises its services on community radio and newspapers as well as various forms of national media. As the ‘development company of the youth’ they have a specific target audience and a national communications department responsible for the overall image of the Umsobomvu Youth Fund and marketing all products in the value-chain. Additionally, Umsobomvu publishes its own newspaper and has developed a very thorough ‘internet portal’ with all necessary information and links. These efforts appear to be successful as Umsobomvu was noted as the most well-advertised and connected government program amongst all of my interviewees in the target demographic. As one interviewee said “Only Umsobomvu is known—the other’s I’ve never heard of. Umsobomvu is all over TV and is at the forefront of the ANC, BEE and the Youth League” (O. Galo 11/30/07). The combination of original and targeted services and successful outreach make Umsobomvu one of the pioneers and models of success in the field of small business development programs.

RED Door Project:

The final organization that I focused on was the Real Enterprise Development (RED) Initiative, a Western Cape-specific program that operates in many of the same ways as S.E.D.A. Following a similar organizational structure and set of offerings as the other organizations highlighted, the RED Door Project, an initiative underneath the umbrella of Economic Development and Tourism in the Western Cape, functions both to help grow and expand existing small businesses and also to help develop new businesses with a particular focus on aiding black entrepreneurs. The main goals of the organization are to

alleviate poverty through job employment and development of the entrepreneurial spirit as well as adding to GDP growth and wealth creation. In order to achieve these goals RED Door operates as a 'one-stop shop' for various small business needs and services, offering assistance with business plan writing, facilitation of access to finance, tender information and help with client relations, marketing and research. Recognizing the overlap in government services RED Door was created to co-ordinate these efforts and be the starting place for budding entrepreneurs (RED Door Service Centre Overview).

While the RED Door is exceptionally effective in achieving all of its goals, it has created a unique organizational model that could serve as a template for future province-specific programs:

What the RED Door does very cleverly, and very particular to the Western Cape, is that they are very particular about its brand, its location and the people working in it. They are almost universally tertiary educated, young, lively, attractive and operate on a cultural level somewhere between a bank and a shop... They were very good at drawing people in and offering services to the community. (Morphet 11/19/07).

In the first 22 months that the RED Door operated in the Western Cape, amongst the 9 regional offices, they supported individuals in the creation of 125 businesses that employed 638 people. Additionally, of the nearly 15,000 customers that have entered RED Door offices, over 4,000 have received business skills training from an accredited service provider (Morphet, 4). This high volume of customer connections and referrals is the result of an outreach program that combines media advertisements with local road shows as well as leverages the knowledge and contacts of the staff to connect to the local communities:

There is a supplement to the regular newspaper from the Red Door. Local Radio does Red Door. There are various road shows and local media presence for Red door. Red door is on the street, next to the supermarket, next to the taxi rink—red door is highly visible. They are local people and they know local people. (Morphet 11/19/07).

Although this outreach is seemingly successful, at the core of the current strategy may lie one of the fundamental impediments to achieving the organization's original goals of adding to GDP growth, providing poverty alleviation and helping spur job creation through new enterprises.

Researchers who wrote an evaluation of the first two years of RED door concluded that although "the Red Door has a significant impact in expanding the activity of the informal economy and contributes to the alleviation of poverty amongst the

desperately poor... the Red door has only a very limited impact in expanding the formal economy through creating jobs and reducing unemployment” (Morphet, 39). The researchers argued that the organization failed to state a clear and manageable goal and were overextending and underutilizing its precious human resources: “the red door had not yet resolved the issue of what it’s real goal was. Was it about growth or poverty alleviation?” (Morphet 11/19/07). Although the Red door was successful in contributing to the development of social capital at the lower end of the socioeconomic spectrum, its rushed and referral-based approach minimized its ability to spur small business development in the formal economy, the type of small business development recognized to be more significant in job creation and economic growth:

[The Red door project managers] are caught in the original illusory trap that you can grow from nothing to employing 50 people in a steady upward path. Their office processes are focused on getting as many people through the door as possible—numbers, numbers, numbers—they have a massive computer system which is totally useless. All it does it produce piles of numbers to report back about how many people come through the door to look like they are totally useful.
(Morphet 11/19/07).

Although the initiative is unsuccessful in achieving all of its goals, its significant human and infrastructural assets and organizational model tailored to a specific entrepreneurial community and province is useful for further development and research into the role government plays in the process of small business development.

Not All Entrepreneurship Is Created Equally

Throughout my own interviews and review of outside academic research on small business development I witnessed countless separations and distinctions between the various types of entrepreneurship. In much of material from the Global Entrepreneurship Monitor the researchers focus on the distinction between start-up enterprises and new-firms, as previously discussed in the paper. In some G.E.M material, as well as many other research reports, the distinction is made between businesses that operate in the formal and informal economy. In the government material on the small business sector the distinctions are made along the SMME lines—small, micro and medium sized businesses. In the literature evaluating the Red Door Initiative, as well as work done by

the researchers at G.E.M, the authors point to the difference between survivalist enterprises and opportunist enterprises. Regardless of the title used to draw the distinction between the different types of small businesses, it is necessary to recognize that not all entrepreneurship, nor all entrepreneurs, are created equally and therefore the government must provide a variety of services to cater to these distinct target markets.

In order to break entrepreneurship into groups that have more similar characteristics and government needs, many social scientists have separated entrepreneurs into “bands”: “There is some research done in Gauteng in which the researchers put their small businesses into seven bands and they classify them in terms of absolute basic things—literacy, pencil, paper, account book, telephone book” (Morphet 11/19/07). For the basis of my report I will utilize a three-band approach to loosely match the three different types of entrepreneurship I encountered. These bands are not strict boundaries but rather fluid concepts-- many of the entrepreneurs I spoke to could easily straddle bands and defy easy placement but for the purposes of this report a three-band approach makes the most sense. Each band represents a different constituency and has its own unique set of problems, barriers to success and needs for government aid and involvement. The process of “banding” allows researchers and government policymakers to reach a more detailed and nuanced understanding of entrepreneurship and therefore formulate more effective and directed policies.

Band 1: Struggling to Start

The first band that I have defined is the group of entrepreneurs struggling to start their businesses. Previous research labeled this group as the entrepreneurs in the seed stage of business development. In order for government to effectively combat problems of unemployment amongst the most impoverished and disadvantaged sects of the society they should reach out to those that are struggling to get their businesses off the ground. This band contains the ‘uneducated masses’ that mainly participate in survivalist entrepreneurship. For the large number of South Africans without a secondary education,

government provides skills training programs as well as small loans that provide the initial capital for micro-sized businesses.

Miguel Biambi, a barber working in various barbershops throughout the past ten years, provided insight into this band of entrepreneurs. Miguel, a self-proclaimed entrepreneur with many different small business ideas, doesn't view the government as much more than a financial resource:

There might be a workshop or some sort of government help and that is helpful but ultimately the role of government is to provide finance, the start up, the capital, the money. The government is many things and maybe the organizations will help you but really you are trying to get your money from the government. (Biambi 11/24/07)

Miguel believed that the best advisors were people that operate in the prospective business sector, rather than general government advisors: “The way to start a business and the way to succeed in business is to find someone in that business who you trust and who is successful and share ideas and have them help you” (Biambi 11/24/07). The low use of government services and government non-financial aid is a result of poor outreach: “The advertisements [of these government programs] you have to look for. You have to be in contact or be in that business world to know what's going on with these different opportunities” (Biambi 11/24/07). Because of a lack of basic education and business self-confidence, many entrepreneurs within this band fail to utilize the services out of fear: “People get spooked by the idea of a ‘business plan’—it's a long journey and it's intimidating for people. Some people don't have the educational background to grasp those concepts and they need a mentor in starting their own business” (Molake 11/19/07). While organizations like the RED Door initiative are successful in growing this base-level of entrepreneurship, some researchers argue that this level of entrepreneurship is not worthy of policy focus:

It's not about giving people the capacity to run one-man businesses. They'll do that anyways. The policy question is growth....when you try among the very poor to set up very small businesses, like the spazo shops [small outdoor stands that sell basic food goods] it's likely to go for a year or two and then collapse. It doesn't have growth potential—it has poverty alleviation potential for a very short time. They circulate and cut each other out of business—we call it churning.
(Morphet 11/19/07).

This view of the most basic forms of entrepreneurship slightly overlooks the positive effects of empowerment and the need for government to play an active role amongst the heavily disadvantaged, even if it is for symbolic purposes. Regardless, more important

both for macroeconomic growth and job creation is the success and promotion of the second and third bands of entrepreneurship.

Band 2: Straddling the Line

The second band of entrepreneurs are those that straddle the line between micro and small enterprises, the informal and formal economy and survivalist and opportunist enterprises. These enterprises range from one-person businesses exploiting market opportunities to multi-person businesses fighting to get by and working as a collective to utilize larger base capital and resources. A significant aim of government policy is to aid these businesses to become larger and join the formal economy.

Adam, a Somalian immigrant who arrived in South Africa in 2000 and preferred to only give his first name only, is a perfect example of the kind of businessman who straddles this line. Adam owns a small fleet of stands that sell cigarettes and small packaged food goods on various corners throughout Cape Town and the surrounding commercial areas. Although he characterizes his own business as “informal trade” he employs a small staff to run the four different stands and therefore adds to job creation more significantly than the average informal business. Regardless, his business has a tenuous relationship with the government:

The government allocates this space to the people. I pay for licenses for these spots and the police come by to check to make sure my permit is up to date. But this is not permanent. If the government wants to build a road or put in sewage, it's theirs. If the weather is not good we can't work at the stands. Sometimes it's too cold and unbearable and we stay at home.

(Adam 11/28/07).

Although Adam says that his business is “informal trade—a method of survival,” the accounting methods employed and his reference to calculating turnover, profit margins, overhead and employee salaries signifies a qualified, intelligent and experienced entrepreneur. Adam is the ideal target for government officials like Stephen Curry, a loan supervisor at Umsobomvu: “What we need to do is move to a point where [these entrepreneurs] have a lock up and go facility rather than just packing up every night. Move [them] to the formal economy rather than just operating on the street within the informal economy” (Curry 11/14/07). Adam sees two key barriers that keep him from

entering the formal economy, his refugee status that excludes him from receiving any government aids or microfinance loans, and his own lack of capital:

I want to open a shop but I don't have the money for the rent. I get this [stand] and hope to make enough money to go after rent and open a real shop...the government doesn't give any help, I have never seen one rand from the government—micro-loans are for South Africans only. The first thing they ask for is a South African ID. Many of the people who run these informal businesses are Somalians or other refugees fleeing war-torn countries. (Adam 11/28/07).

While the issue of refugees and immigrant economic opportunities is the topic of an entirely separate research paper, a key point is that the economy would be stronger with more of these educated and experienced entrepreneurs (Adam was a shop owner and Secondary-school teacher back in Somalia) adding to the formal economy. While Adam's immigrant status and lack of South African ID muddles the issue of government involvement, similar issues are present amongst many South African entrepreneurs operating in the economic grey area.

Dudu Galo, a secondary school teacher in the Cape Town area, also operates a business currently in the informal economy, with the outlook to transfer it to the formal sector in the future. After witnessing a close friend in Johannesburg operating a small clothing business out of her bedroom, Dudu followed her friend's lead and utilized her friend's contacts to start one of her own. After saving money for a long time (and selling clothes in Cape Town for her friend) Dudu flew with empty luggage to India, a country with massive clothing manufacturing and relatively cheap prices, brought massive amounts of clothing to bring back to South Africa and sold them out of her bedroom. Since her initial trip she has used the profits to take multiple trips to foreign cities in Southeast Asia and the Middle East that have enormous textile production and cheap prices. She sells these clothes to friends, family and coworkers back in South Africa, and uses the profits to fuel further business. This exploitation of discrepancies in purchasing power and favorable exchange rates is a basic, albeit logistically challenging, form of opportunist enterprise. However, there are serious pitfalls to operating informally, like an inability to collect all of the payments from buyers (many buy on credit and don't repay debts) and limited market opportunity (Dudu can only sell to people she knows and trusts). For this reason Dudu considers creating a formal shop in the future:

I do have an interest in turning it into a formal shop if I have funds—if I can get any sponsors or go to the bank for more money. Most of the people who don't pay eat up my profits so it takes a lot of time to get capital to go again. I'm not ready yet but in my future I hope to [open a shop].

Both Dudu and her husband, a carpenter, run side projects to supplement their teaching wages, which they believe are not substantial enough to raise kids and send them to university. From her work as the treasurer for the South Africa Democratic Teachers Union and her experience teaching accounting and economic management courses to secondary school students, Dudu is experienced with financial management but currently prefers to run this business as a side project, relying on the more trusty and secure employment as a teacher as the primary source of income. However, if the government were to serve as an enabling force, providing an easier path to small business ownership and securing small business opportunities, entrepreneurs like Dudu might be more inclined to join the formal economy, thereby employing others and adding to formal economic growth.

Band 3: Experienced and Educated Entrepreneurs

The third band of entrepreneurship is the experienced and educated entrepreneurs and small business owners that struggle to compete with massive corporations for contracts. It is this branch of entrepreneurship that government hopes to develop most thoroughly. As previously noted, enterprises employing between five and twenty people comprise 30% of the total employment and enterprises with between 20 and 50 contribute 25% of the total employment. While the graduation of small businesses from band two to band three is of crucial importance to economic growth and job creation, it is this third band that is ultimately the driving force for job creation and GDP growth and therefore the government continues to focus on aiding these enterprises.

The role of government programs and services for entrepreneurs in this band is dramatically different than for the other bands. While the constituents in the first band necessitate skills development training and basic financial management training, and the second band requires business plan advice and basic management consulting services, generally these offerings are too simple and basic for this group of highly educated and experienced entrepreneurs. Experienced and tertiary-educated entrepreneur Shamiel Mathews, with two start-ups under his belt—one, a 100 person call center, and another a

four person project management company—illuminated the problems of government involvement in this level of small business development:

There are lots of structures in place but those are geared to the uneducated masses that come into the business world that don't know about registering a company or what to do with VAT. We passed that—we understand all that. For us it's a matter of getting opportunities and growing our companies, which means getting bigger contracts, and that is where we are stifled. Getting bigger projects, getting contracts—the government doesn't help that actively. (Mathews 11/29/07).

One of the big benefits that government supposedly offers to these well-educated and experienced entrepreneurs is access to large amounts of capital, but even in this regard Shamiel struggled to benefit from the government offerings:

We considered [government financing] but when you get down to the nitty gritty it's not that easy to get financial support from the government. Look at us [myself and two other partners], we are well educated—I have a degree in economics—my partners have years of corporate experience [at Telkom]. We are not the average guy on the street trying to start up a business with no experience. We have reasonable experience and even for us it was difficult to get access to government financing. (Mathews 11/29/07).

Ultimately Mr. Mathews and his business partners decided to start with a R2M call-center, selling a share to a larger corporation in “lieu for decent contracts” which is the “route that a lot of smaller companies take” (Mathews 11/29/07). After two years the call-center had grown from 10 employees to 100 and was making profits and repaying original debts, with a valuation of R10M.

Not only was Shamiel critical of government's failures to provide financing, but now that he has two established businesses, he is critical of the government's follow-through on its promise to develop and secure opportunities for the small business owner. In the call center industry, an industry with an enormous potential for growth and employment, government has failed to act as a spokesman for the small business owner against major corporations like it promised it would. Because the small businesses do not have the power to lobby large corporations, they rely on government to speak on their behalf. One of the key examples of this is government's failure to lobby for lower telecom costs for the call-center industry: “We forecasted two years ago that we would be a 500 seater [call center] but we're not there and it's because of a lack of support from government. The Indian model has high government support and low telcom costs but the South African government is not supportive” (Mathews 11/29/07). While certain sectors of government are run incredibly effectively, like the revenue services division,

other sectors “lack a certain level of professionalism” (Mathews 11/29/07). The delay in processing applications and passing red tape causes harm to the small business community: “My business alone lost a good couple of contracts over the last couple of weeks because we can’t get our registration papers and that’s just one example” (Mathews 11/19/2007). Ultimately the most significant role the government can play for this level of entrepreneurs is to serve as an enabling force that provides market opportunities and secures safe space for small businesses in the open market economy against the competition and pressure from larger corporations.

It is at this point that government most significantly fails its constituency and therefore limits growth and development in the SMME sector. One potentially controversial suggestion for this failure is the persistence of corruption in government: “The work often goes to bigger corporations with larger marketing budgets and that is where the corruption comes into play. A [large company] can woo government officials with a holiday and other things where all I can offer is a donut and cup of coffee. There are a lot of strategies put in play to bring down this level of corruption” (Mathews 11/19/07). More likely though larger corporations succeed because of the nature of an open market economy--companies with larger operational possibilities, higher levels of organization and more storied history and accountability are more likely to win the contracts:

The small businesses don’t have the man-power, the infrastructural resources, they can’t guarantee their work on time—they simply operate on a different time table. The corporations say ‘we can’t have our stadium built by 2010 parceling out to small businesses’ so they gobble up all the opportunities themselves because they are more efficient and their planning capacity is more competent than any small businesses. (Morphet 11/20/07).

Government interference in the competitive market can be a risky proposition as most economists argue that the open market will most often produce the most efficient and competent allocation of funds naturally, but in this case, to guarantee fair entrance to the previously disadvantaged groups, government interference is understandable. As of now the main thing the government does for small businesses is to produce a weekly list of tender opportunities that the companies can apply for. The majority of the big contracts end up going to the large corporations because the small businesses simply don’t have the resources to manage these projects alone and therefore “the situation in South Africa is that the big companies are creaming the big deals and then the smaller companies are

living off the scraps—the guys that are starting out are struggling for years and a big portion of them die a slow death” (Mathews 11/29/07). While the micro and small enterprises need business consulting, mentorship or micro-loans to reach the next level of entrepreneurial success, the medium sized enterprises run by experienced and educated business people need government to provide a conducive environment for growth and an opportunity to compete with the larger corporations for contracts both in the public and private sector. Government’s failure to serve as an enabling force limits the contributions the SMME sector can make to economic growth, job creation and the rise of a new black entrepreneurial class

Problems and Potential Solutions

While the government plays an active role in small business development and has all of the right intentions for economic growth and job creation, ultimately there are four fundamental flaws with the current service offerings that minimize effectiveness.

The First Flaw: Unsuccessful Outreach

The first fundamental flaw of the government offerings is generally unsuccessful outreach and advertising programs. Each of the four organizations that I highlighted had an array of outreach and advertising efforts that included national media campaigns (television, radio and print media), local media campaigns, road shows and appearances at conferences. However, while these organizations and programs seemed to dedicate a lot of time and money to outreach efforts, there still seems to be a fundamental disconnect between government offerings and citizen understanding and utilization. In a recent study of black entrepreneurs in the Cape Town area 71% of entrepreneurs were “aware” of the skills development programs but only 28% actually attended them (Quesada 63). The researcher found that “the programs provided by the government at the provincial level are not widely advertised enough through channels that are accessible and known to entrepreneurs, especially black entrepreneurs” (Quesada 76). Multiple other researchers commented that entrepreneurs struggled to learn about and access the government programs despite the governments best efforts to reach out (Orford, Mase

2005, Martin Van Wyk 2004, Wyer and Parker). My own research confirmed most of these concerns as nearly every single interviewee mentioned outreach and connection difficulties as a limiting factor to government aid. Elvis Sekhaolelo, the Deputy Chairperson of Black Management Forum, a student society at University of Cape Town argued that “these organizations are not intensive enough in their marketing to take the message to the people that need to know about it. People don’t know where to go and what to do given that they have a good business idea” (Sekhaolelo 11/19/07). Echoing the sentiments of Miguel Biambi previously referenced, Lillian Molake, the Chairperson of the BMF society at UCT, argued that the government organizations need to “do more practical advertising. [The organizations] need to actually go into the areas and say ‘we are offering funding’—it’s all good sitting in a studio but they need to go to a grassroots level” (Molake 11/19/07). Although many sources agree on the need for more thorough and widespread outreach programs, some social scientists believe that there are other forces at work compounding the problems of failed connection and limited effectiveness.

Given the dark past of government involvement in the affairs of the black community some researchers point to a deep mistrust of government as the reason for the low usage figures:

[The programs] are advertised but there is a profound mistrust of government—profound. People believe that government should arrive and ‘provide us with what we want—where are our houses? Where are our schools?’ and that is what people think of when they hear about the government.
Morphet 11/20/07.

Given the history of government involvement and the current failure of government to deliver necessary programs and benefits, there is a lack of confidence in government services that taints the ability of small business development programs to successfully reach out to the communities (Quesada 37). Another slightly cynical explanation for the perceived lack of connection and outreach is that the government organizations maybe don’t want to effectively connect with ‘the uneducated masses’. The ability to research a contact center and take the necessary steps to obtain information about the process of business financing and small business development takes a certain level of initiative and dedication that is necessary to become a successful small businessman-- this first step serves as an informal litmus test for entrepreneurial potential. Additionally, these government agencies have some concern with quantity over quality:

We can go to a government communication information thing and we could find 1,000 people but not any of the right people. They are looking for a grant and they are not looking to pay it back. It is qualitative interventions with service providers and stakeholders that we want to foster.

(Curry 11/14/07)

This is no way meant to imply that government agencies purposefully limit their outreach, because their aggressive outreach efforts immediately disprove this claim, rather it is important to point out that there is a focus on fostering particularly useful and proven connections. Regardless of the reasons or causes for the lack of connections and awareness, ultimately the effectiveness of government programs designed aid to small business development rests on how they connect with potential business owners. Although the government may have a wide array of potentially useful programs and services, the ineffective outreach efforts minimize the breadth and scope of the government's attempt to aid black small business development.

One potential solution for reaching the community more effectively is to simplify and consolidate the overlapping programs, thereby utilizing a larger marketing budget for fewer organizations and building stronger brand recognition (something that Umsobomvu already seems to succeed at). Additionally, another 'solution' to this problem might just be that it takes time for these organizations to gain name recognition and a word-of-mouth following. Considering the previous mergers, large amount of organizations operating in the field and recent founding date of most of these organizations, it is likely that with time and more advertising campaigns (and more successful graduates and small business owners to serve as the most effective advertisements of all) they will build a larger following and greater awareness. Most importantly, as many of the interviewees suggested, these organizations should reach out directly into the communities, participating at a more grassroots level rather than using funds for national media campaigns. While Red Door has offices and representation in highly visible areas, and Umsobomvu sends representatives into various townships weekly, all of these organizations could strengthen their presence in the communities with the highest rate of disadvantaged citizens that the policies are intended to help. One concrete suggestion presented by Lillian Molake, Chairperson of BMF at UCT, is that the various organizations should attend or start their own imbizo's—a xhosa word for 'gathering' that has been utilized by the ANC to mimic the events in the past where chief's would

call a gathering and all the residents of the community would come together to have a conversation and discussion of necessary issues. The organizations could use these imbizo's, similar to the American idea of town-hall gatherings, to build community networks, build brand name, and connect with the very people that they are hoping to aid.

The Second Flaw: Inadequate Secondary Education

The second fundamental flaw of the government's attempt to aid small business development is that the base for all entrepreneurial development, the national education system, is inadequate to develop creative and self-confident future entrepreneurs. Research previously cited by the G.E.M noted that the reason entrepreneurial activity and success rates are lower in South Africa than in other developing countries most likely lies in failures at the secondary educational system. The current task-based educational structure creates students with the ability to work effectively in groups following set paths to reach an expected conclusion:

Schooling is trapped in a paradigm where the teacher and school provides task and the student learn to finish the task according to the teacher. This practice is deeply, deeply structured and it's a task of obedience that is fundamentally counter-entrepreneurial. The school pattern reinforces a kind of anti-experimental, anti-provisional testing of knowledge—either it's right or it's wrong.
(Morphet 11/20/07).

The educational reform in 2004, the introduction of Outcomes Based Education, was an attempt to get around “the rote learning” but this plan was “too ambitious”. The net impact of the new policy was to improve the schools at the very top of the system, the so-called Model C schools, that were already well-endowed with financial and human resources and experienced teachers fit to implement the new style while the poorer township schools struggled immensely (Morphet 11/20/07). This distinction widens the gap between the advantaged and the disadvantaged and guarantees that the most successful seeds for the next generation of entrepreneurs are planted at the more prestigious and expensive schools¹.

¹ Mr. Morphet also cited unpublished “highly controversial and explosive” research being done in KZN that indicates that in township communities there is almost no activity-mediation between mother and child. According to this research the schools and the home culture in the previously disadvantaged communities

The university students at UCT by-and-large confirmed these theories when looking back on their own educations. Elvis Sekhaolelo, the Deputy Chairperson of BMF and promising entrepreneur, recognized the failures of his secondary education when he lived in a rural area before coming to UCT:

In matric I would never have thought of studying business. I wouldn't have even thought of that kind of a mind to have a business idea and think outside the box. Most high schools just teach you theory and things that are irrelevant—they tell you to do this and this and this—and we follow it. They teach you the standard way of learning, not to come up with your own way of learning. (Sekhaolelo 11/19/07).

His peer, Chairperson of the BMF Lillian Molake, disagreed with the inability of her secondary school to provide an education that taught her to be creative and think outside of the box: “I did a lot of subjects that made me think outside of the box--drama, public speaking. [My education] was balanced because I did the other subjects but the creative arts made me innovative and that will help me for the future” (Molake 11/19/07). Lillian attended St. Cyprian's Girls School, one of the most prestigious and expensive schools in South Africa. Although the school was open and accepting of students of all different races (Lillian was the top girl in 2005), there were only three or four black students in her class, although the school has improved its racial diversity since then. As Elvis put it, “[Lillian] is privileged to have gone there. Most of the schools in South Africa should follow the lead of St. Cyprian's” (Sekhaolelo 11/19/07). Much of the educational system in South Africa is inadequate to create future entrepreneurs with the creativity, self confidence and feeling of self-efficacy necessary to succeed in the business world.

Although a total overhaul of the educational system is well beyond the scope of this report, not to mention incredibly difficult politically and logistically, there are a few concrete and realistic plans to achieve greater entrepreneurial development within the current system. While there is already a management science course offered as part of the outcomes based education curriculum that focuses on financial management and entrepreneurship, there are other countless opportunities to extend the practical importance of this education. The current volunteer mentorship program run by

work in conjunction to entrench a counter-entrepreneurial spirit in the youth. Because this research is currently unpublished I did not see it fit to include it in the body of my work. However I find the ideas, if the research bears true, interesting to consider and another angle and explanation to be used in research for the future.

Umsobomvu for young entrepreneurs could serve as a model for a similar mentorship program for secondary school students inclined to business. A successful mentorship program simultaneously creates business support networks and contacts, which are incredibly important to small business development, and also provides role models for disadvantaged youth. This problem, a lack of role models for young entrepreneurs, is an oft-overlooked yet serious consequence of the apartheid policies that stunted black intellectual development and stifled entrepreneurship: “There are very few role models. If you ask ‘what does your father do?’ they say ‘he works for the state, he’s a teacher, he’s a delivery person’ but most of the time it’s not ‘he’s an entrepreneur’ or ‘he owns his own business’” (Curry 11/14/07). The G.E.M research found that ‘knowing a successful entrepreneur’ resulted in ‘higher perception of good business opportunities’ as well as ‘higher rate of entrepreneurial activity’ (Orford 2004). Therefore, providing the secondary students with a mentor would serve to provide a real life example of entrepreneurship, extending it from theory in the classroom to an achievable goal. If the government struggled to find sufficient mentors (as it has for the Umsobomvu program) this program could be replaced with a series of guest lecturers from business people in combination with field visits to large corporations and smaller successful enterprises to ground the class work.

Additional research by the G.E.M noted that a lack of simple financial management practices causes a significant amount of problems for small black-owned businesses. A 2003 study determined four basic techniques of financial management (keeping a cashbook, keeping an accounts receivable book, keeping a record of inventory, and performing proactive debtor management) that are key to financial success. Of firms with an overdraft, a sign of poor financial standing and poor cash management, only 40% used all four of these basic principles. Amongst firms that had adopted none of the principles, 83% experienced cash overdrafts—implementing any of the four methods minimizes the change of an overdraft by 33% while implementing all four appeared to reduce the overdraft probability by up to 61% (Wood, Financial Administration Report, 2003). While this does not address the potential confounding factor that more educated entrepreneurs are more likely to succeed and also are more likely to employ financial management practices, these tools most certainly cannot hurt.

In order to help future small business development the education system could start a year-long entrepreneur competition to creatively reinforce these four key financial management principles and help students to think outside the box in designing and implementing their own personal business strategy. While these two programs are by no means groundbreaking nor the only (or final) solutions, both of them could serve as effective ways for the government to increase its entrepreneurial development at the secondary education level within the current confines of the system.

The Third Flaw: Failure to Specialize or Align with Distinct Target Markets

The third fundamental flaw of the government programs is that they are not adequately specialized or targeted to direct markets. As I discussed at-length earlier, the entrepreneurial community is an incredibly diverse group with various backgrounds, levels of education and amounts of experience. Each group requires a distinct set of tools to aid their growth and development. The current organizational layout has a significant amount of program overlap. Many of these organizations offer the same general set of programs rather than a specialized set of programs intended to work with one of the bands of entrepreneurship. Additionally these programs do not perfectly align with any of the bands of entrepreneurship. The programs operate above the education and preparation level of many people at the most base level of entrepreneurship, those struggling to start their enterprises or fighting to graduate from the informal to the formal economy. The programs are also too simple and basic for the experienced and tertiary educated entrepreneurs trying to grow to a medium sized enterprise or compete with the much larger corporations. This overlap additionally creates unnecessary confusion amongst the citizens regarding where to go for service. To be fair, many of these programs do have formal linkages and connections to the other programs in the area to compliment services. However, by replicating the same basic model across many separate organizations, government fails to adequately address the variety of needs and thereby minimizes its effectiveness in aiding the diverse array of small business development.

A way to correct this flaw would be to consolidate all of the organizations under one umbrella and refocus each of them towards a specific band or type of entrepreneurship. A separate referral organization could serve to connect entrepreneurs with the proper branch of services. While this solution has clear problems (what happens when a program graduates from one band to the next, does it switch branches and lose all relationships previously developed? Is it really possible to classify entrepreneurship that quickly and accurately?) the long term benefits should vastly outweigh the original chaos and confusion. The current market landscape of overlap minimizes effectiveness, causes confusion, and makes outreach more difficult. This proposed consolidation would simultaneously address this flaw (non-specialized services and inability to align services with a diverse constituencies) as well as problems of limited and unsuccessful outreach. A larger organization with various branches full of specially-trained and operation-specific staff could simultaneously reach a larger market and tailor its messages and support more closely to its constituents needs. Granted, this drastic overhaul of the government aid landscape would require massive amounts of consultation and bureaucratic transformation but if done correctly, it could permanently fix many of the logistical problems in this sector.

The Fourth Flaw: Failure to Function as Enabling Presence

The fourth fundamental flaw in government's plan to aid black small business development is that government fails to serve as an aid to small and medium sized enterprises hoping to achieve contracts and business in the open market. This issue, described at significant length previously, is particularly surprising given government's previous commitment to securing and guaranteeing space in the open market for small businesses. The government, essentially the largest employer and business in the country, committed to a policy under BBEE of preferential procurement with a focus on aiding small businesses gain ground against the larger corporations (SA Government Report, 14). However, as it is currently, the large corporations dominate the landscape and often seize the available contracts, only to outsource small bits of work to the small businesses at a much discounted rate (Galo 11/30/07).

If government wants to grow the SMME sector, and the medium-sized enterprises in particular, it will interfere in the open market economy to provide opportunities for these black owned small businesses in desperate need of business and experience. After many attempts with the “stick approach”, taxing companies that failed to comply with BBBEE regulation, that did not work perfectly (many companies literally wrote the fees into their accounting figures rather than deal with compliance), it may be time for government to use the “carrot approach”. The government could provide tax subsidies to large corporations that sign contracts with small businesses to work together, at equal pay rates, on large government tenders, thereby utilizing the efficient management structures of the large corporations while providing the smaller businesses with experience and business. Another potential program could be to place a “floor price on each tender to protect new entrants to the markets...[preventing] the tendency for start-up businesses to focus on winning tenders at any price, without evaluating the net effect the tender would have on business” (Zilwa 208). While these two programs by no means solve all of the problems, and would most likely be hotly contested by the business community because they enforce artificial limitations on the free market, they are a step in the right direction for government to serve as an enabling force.

Conclusion:

The current government plan to help aid black entrepreneurs with small business development is characterized by a wide variety of programs and offerings that assist with the various aspects of small business development. The services most widely offered to budding entrepreneurs are business consulting, business plan assistance, job and procurement information, financial assistance or assistance in applying for financial assistance and in some cases mentorship. While these government programs are well-intentioned and widespread, they are not operating as effectively as possible for many reasons. One of the problems is that despite aggressive advertising campaigns these organizations have struggled to connect with the large potential client base and remain a largely underutilized resource. Another problem is that the history of apartheid education, and failures to reconcile those problems in the 10+ years of ANC government, led to stunted black intellectual and entrepreneurial development that continues to damage the black small business landscape. The third problem limiting government effectiveness is that the organizations overlap in their goals and products and therefore collectively fail to address the specific concerns and needs of the many different constituent groups within the diverse market of entrepreneurs. The fourth flaw is that the government does not serve as an enabling force, creating and securing small businesses contracts and experience in the open market. Therefore the small and medium-sized enterprises are dominated by the larger corporations and they fail to get experience or achieve growth. These four flaws limit the effectiveness of government involvement in the process of small business development.

Regardless of the current limitations of government involvement, these services are entirely necessary to ease the difficult path of black entrepreneurs in this country. It is important to recognize the unique and incredibly challenging road to success that faces this current crop of businesspeople:

The conditions in which [government agencies] expect our prospective clients to operate businesses, prosper, and make a profit here in South Africa are extremely challenging. There are few countries in the world where their entrepreneurs will worry that their informal houses are going to burn down, that there isn't adequate electricity or running water, safe public transport, that if they do get sick they are able to afford medical help or that there is a safety net if someone is unemployed. We expect entrepreneurs, given those difficult conditions, to compete with formal businesses and people with all the resources at their fingertips...there are no role models

either...given all these constraints we are asking them to draw a business plan and have the right networks to succeed in this business. (Curry 11/14/07)

Given these debilitating starting conditions it's a difficult task to ask previously disadvantaged people to operate equally in a market with their far more wealthy peers. The financial limitations to black entrepreneurial success severely stunt both educational achievement and small business development:

Blacks are born already in a struggle...Black people from a very young age struggle with finance. They have to worry how about they are going to pay their school fees, buy a car, figure out their own housing—there are a lot of financial worries that go before before starting a business. Europeans don't have to worry though—they are born with all of those things and teh they just have to worry on school and later their careers. (Biambi 11/26/07).

Because of the legacy of apartheid, which forcefully stripped blacks of all entrepreneurial abilities, skills development and business experience or networks, black people continue to suffer to operate successfully in the small business sector. The government organizations operate both to correct these past injustices and to develop a new generation of 'black diamonds' to serve as role models, support systems and the foundation for future generations of black leaders and businesspeople.

Although the government may be operating beneath its potential capacity, it still functions in an incredibly important and necessary role: "Government does make a significant difference, it has a lot of institutions aimed at helping the entrepreneur. People without finance, they need the government and without the government it would be impossible to start a business" (Sekhaolelo 11/19/07). The array of government agencies is remarkably developed from that which existed ten years ago and these organizations have shown the ability to grow and transform to meet market needs in the past (Curry 11/14/07). Ultimately the role of government is not solely to help the disadvantaged black community but to uplift South Africa as a whole--to achieve the most prosperous economy and most stable society possible it is necessary to utilize and employ the full abilities of every single South African. A significant part of building this prosperous and stable society is black small business development: "As research proved, there are few more effective ways of achieving [sustainable growth] than by encouraging the SMME sector" (Visions 204 Nolitah Fakude). Although there are certainly steps the government can take to increase its effectiveness, it is certainly operating in the right area and government aid is moving in the right direction. With 2010 providing an artificial

boost on the horizon and the generation of post-apartheid educated people coming of age, set to reap the benefits of these government programs, the future looks promising.

Recommendations for Further Study

There are many potential paths one could take to expand on this study. One approach would be to choose a particular band of entrepreneurship (my inclination would be to study the second or third bands as these seem to be the final goal of government development) and study the issues and problems relating to that band of entrepreneurs. An in-depth study of the experienced and educated small to medium-sized business owners would be particularly helpful because this is the band that I believe government currently fails to aid the most severely. The fact that this band provides the majority of economic growth and job creation in the SMME sector but receives the least help from the government indicates that there is an impressive resource of human capital with amazing potential to be unearthed. In my brief time in the field I found people from this band to be the most impressive and the most realistic foundation for the type of 'black diamonds' and successful black business leaders the government is hoping to foster.

Another beneficial addition to this research would be to focus on the financial allocation of government funds to the SMME sector. While in my research I came across information regarding the loan process and the allocation of grants, ultimately I did not find it to fit within the scope and focus of this paper. However, future research about the process of government and private financing to the small business sector would be invaluable to understanding the general picture as almost every entrepreneur referenced a need for more accessible and transparent financing as a chief desire for government to work towards.

Finally, another way to expand upon this research in an entirely different direction would be to study the ways that NGO's, non-profit organizations and for-profit institutions help to aid black small business development. Recognizing the financial constraints of public spending and the deep distrust many have for government, the non-public sector could potentially play a pivotal role in black small business development.

As more and more traditional financial institutions in the United States and internationally develop microfinance branches, the potential for the private sector, in conjunction with NGOs and non-profit organizations, to play an active role in small business development in South Africa is growing. A study of these mutually symbiotic relationships would work to expand the breadth of this initial research.

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Appendix A:

Because I interviewed people from so many different backgrounds I did not use one uniform interview questionnaire. Rather, I created a new set of questions for each specific situation and often improvised off of their answers to ask new questions.

However, I used the same basic format for a variety of the interviews. That basic set of questions is shown below.

- a) Tell me briefly about the process of starting your business. Where did you go for financing? Have you utilized any of the government agencies (SEDA, Khula, RED Door, etc?) for business plan writing, consulting, or finance loans and would you mind briefly describing those relationships?
- b) In a lot of recent Global Entrepreneurship Monitor studies they have noted that small businesses in South Africa generally have a lower rate of success than entrepreneurship in other developing and emerging economies. Why do you think this is the case and how do you think the government is addressing this problem?
- c) Do you believe that the government organizations are well-known, well-advertised and well-utilized within the entrepreneur community or the business community more generally? If not, why not and what do you believe would be the ideal way to change the situation more positively?
- d) What are the most significant barriers to starting a business? Does the government help you overcome those and if so, in what way?
- e) Once you are operating your business, what are the most significant barriers to success and in what ways (if any) does the government help you overcome those barriers?
- f) Has the government successfully positioned itself as an aid in the process of small business development? If so, how so? If not, how not? Does the government play an active role?

Do you have anything else to say about the issues surrounding entrepreneurship and small business development within South Africa? Thank you very much for your time and please let me know if you have any other questions.