WORKING PAPER

CAPACITATING ENTREPRENEURS FOR A SUSTAINABLE TOWNSHIP ECONOMY

The Khulisanani/Godisanang and GrowYourBiz Initiatives

Gordon Institute of Business Science
Entrepreneurship Development Academy

Walmart.org

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From left, facilitator Seraj Toefy with entrepreneur Janine Stompies and partner, with integrator Mandy Antozoylatos

Introduction and Acknowledgements

Within a context of declining economic growth, rising unemployment and low levels of entrepreneurial activity, the importance of developing micro and small enterprises cannot be overstated. This is particularly true for South Africa's many townships – geographical areas that were developed with the intention of housing the workforce outside of main economic hubs, yet have become centres of retail activity in their own right.

In recent years, government has intensified its focus on stimulating the growth and development of township economies. One key priority for these strategies aimed at revitalising township economies is to promote entrepreneurship and the growth of small businesses. The Walmart Foundation echoes this sentiment, and has for the past two years partnered with the Entrepreneurship Development Academy (EDA) at the Gordon Institute of Business Science (GIBS) to design and roll out a comprehensive training and support programme for township entrepreneurs across the country. Through the programme, more than 200 retail sector entrepreneurs in seven provinces gained practical business skills, mentorship and coaching. Unlike most business skills development programmes, this intervention sought to develop participants' business skills as well as address personal development objectives. Through this approach, we aimed to effect positive change for the entrepreneurs and their businesses.

This research report aims to present what we've learnt through and about developing township entrepreneurs, and offers some insights and recommendations that role players like government and development practitioners may find useful. It is our hope that township entrepreneurs across the country will receive the support they need to start and grow sustainable businesses that will contribute to national economic growth.

We would like to acknowledge and thank the following organisations and individuals for their contributions to the Khulisanani/Godisanang (2018 cohorts) and GrowYourBiz (2019 cohorts) Initiatives and this research report:

- the Walmart Foundation – for its generous grant funding support to this programme;
- Dr Kerrin Myres and Sean Smith – for conducting the research and writing the report;
- the EDA team – for programme implementation and management;
- the team of facilitators, mentors and coaches who assisted in rolling out the training and support components of the programme; and
- every programme participant – for their commitment to the programme, and their contribution to the economy.

Miranda Hosking
Director: GIBS Entrepreneurship Development Academy

From left, entrepreneur Milisa Gqabu with her mentor Veronique Philander in Motherwell

Executive Summary

The need for South Africa to develop its entrepreneurial capacity in order to create employment and a more dynamic, inclusive economy is well established in public and private sectors. However, success stories are hard to come by – especially when they focus on township entrepreneurs, a group that might be neglected by broader initiatives for being 'too difficult' or 'not high impact enough'. The hope is that this report will ignite more rigorous debate about how to develop entrepreneurs and entrepreneurship, even in environments that are resource-constrained and apparently opportunity-poor.

This report details findings from research focused on a series of training and coaching and mentoring-based interventions in township economies across seven of South Africa's nine provinces. These interventions and this research were conducted by the GIBS's EDA through funds provided by the Walmart Foundation. The data was collected in a mixed methods design, involving qualitative and quantitative methods, before, during and after the intervention that was conducted during 2018 and 2019.

The findings reveal that township entrepreneurs had developed their personal and business skills during the programme, resulting in improvements in their business operations and market position. For some, this was believed to have resulted in immediate and measurable growth in their businesses, while others believed that their new-found skills enabled them to build a strong foundation for future growth.

Entrepreneur Vinah Sefala from eMalahleni

Entrepreneur Qaba Ntshangase from Tembisa

From left, integrator Mandy Antozoylatos with entrepreneur Adam Ally and Programme Manager, Mirriam Mashego from the Entrepreneurship Development Academy

GIBS - 2018 Walmart Foundation Graduation

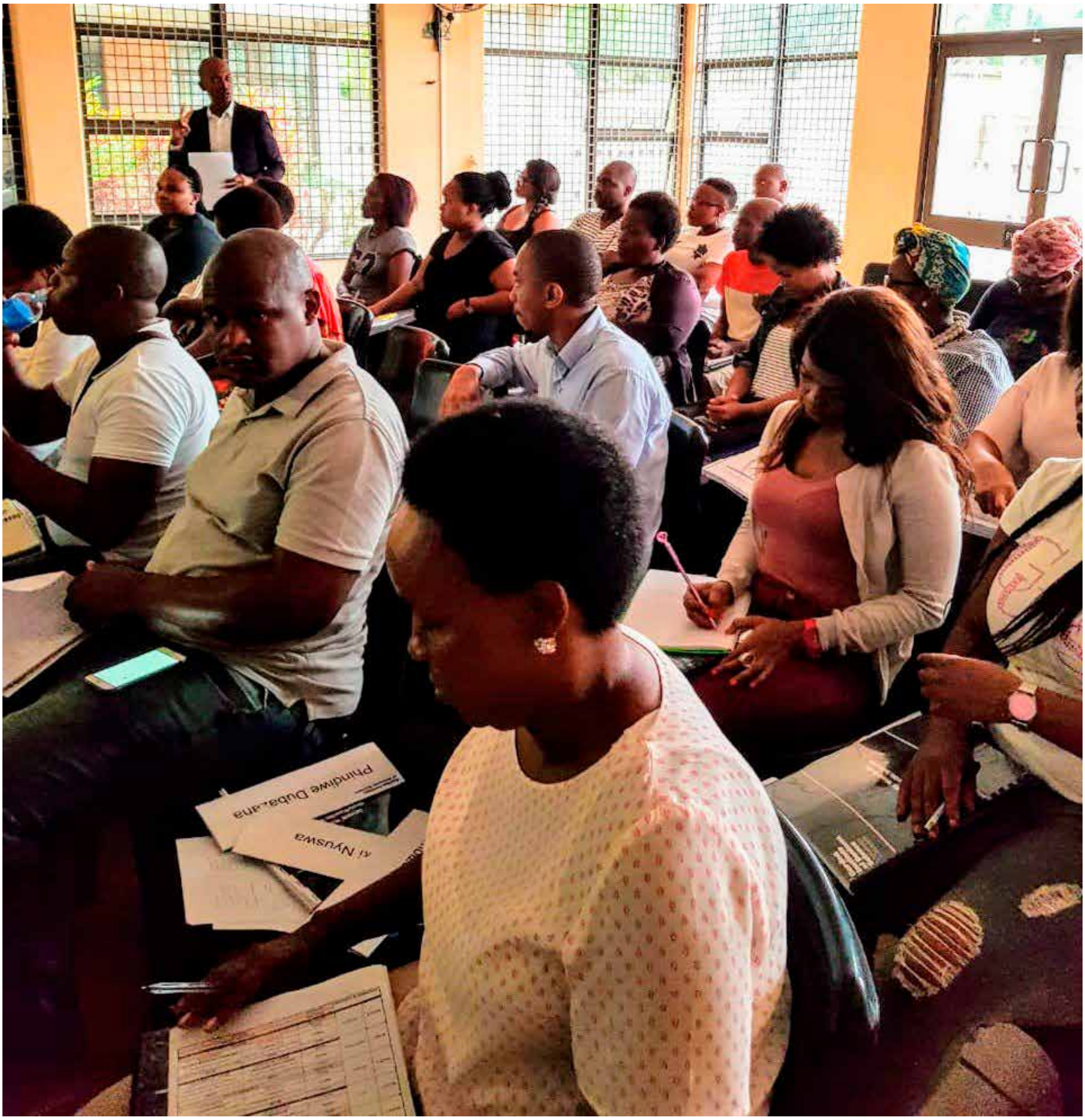
Background to the Study

Globally, it is widely acknowledged that small and medium enterprises and new firms, rather than large corporates, are most likely to be responsible for economic development and job growth (Toma, Grigore, & Marinescu, 2014). This view has arguably seen even greater uptake in South Africa than in other places in the world.

The need for South Africa to develop its entrepreneurial capacity in order to create employment and a more dynamic, inclusive economy is well established in public and private sectors. Myriads of entrepreneurial development activities are taking place all over the country, yet evidence of their success (or otherwise) remains scant. This report aims to detail one such intervention in the hope of stimulating the debate about how this critical process can best be achieved, even in environments that are resource-constrained and apparently opportunity-poor.

This report details findings from research focused on a series of training and coaching and mentoring-based interventions within township economies across seven of South Africa's nine provinces. These interventions and this research were conducted by GIBS's EDA through funds made available by the Walmart Foundation.

The first section of the report outlines the nature of the context in which the research and the development interventions occurred in 2018 and 2019. A brief overview of the relevant literature provides insight into what is already known about doing business in South Africa's townships. The second section explains the intervention and the groups targeted for this particular process. The third section of the report details the findings from the research undertaken before, during and after the intervention, while the final section considers the implications of the research for stakeholders in the entrepreneurial development process in South Africa's townships.



Mentorship in Umlazi 2019

The Context

Programme Manager, Mirriam Mashego from the Entrepreneurship Development Academy and entrepreneur Cynthia Thusi from Tlou Collections

South Africa's townships provide an interesting context for entrepreneurial development. Each township is unique and has a particular history and character, suggesting that a nuanced approach to entrepreneurial development might be necessary. In this section, aspects of 'context' are considered from a macro view of entrepreneurship and its importance within South Africa and the nature of township entrepreneurs in the country.

According to the World Bank (2018), South Africa accounts for only 0,5% of global GDP, but is considered a rather large economy relative to other African states. The same World Bank report states that a 1% increase in economic growth in South Africa would immediately lift 170 000 people over the poverty line. Entrepreneurship and small business development are considered important to achieving such economic growth in the eyes of the government, civil society, and private sector. However, it has been found that there is a major lack of training, skills and qualifications among those who run township businesses (Wiid & Cant, 2018).

South Africa's National Development Plan 2030 makes extensive mention of efforts to foster and grow small business. Within South Africa's public sector, a major drive has taken place to stimulate small enterprises and entrepreneurship. This includes (but is not limited to):

- The establishment of a national Department of Small Business Development, which houses the Small Enterprise Development Agency (Seda), and the Small Enterprise Finance Agency (Sefa);
- National Youth Development Agency (NYDA);
- Technology Innovation Agency (TIA);
- Council for Scientific and Industrial Research (CSIR);
- National Treasury;
- Industrial Development Corporation (IDC); and
- Department of Trade and Industry (DTI).

This non-exhaustive list provides the reader with insight into how seriously South Africa's public sector is taking entrepreneurship and small business development. Worth highlighting too are the government's Broad-Based Black Economic Empowerment codes. One of the key aspects of these codes is the requirement for corporate (and state-owned) enterprises to engage in enterprise and supplier development programmes to assist, fund, purchase from or otherwise stimulate small and medium businesses. This can be construed as a largely constructive set of legislation, but such measures seldom directly benefit the informal or formal township businesses (Cant & Rabie, 2018)

South Africa's historical inequalities have persisted into the present era. Despite many successful efforts at reducing racial inequality, widespread economic challenges exist in townships – places traditionally (and sometimes forcefully) occupied by the black South African population. Township entrepreneurs frequently operate in areas that are not highly supportive in nature. In other words, access to formalised business support platforms is frequently challenging, as infrastructure is generally under-developed and there is a lack of structural mechanisms enjoyed by businesses operating in more formalised centres. During the apartheid years in South Africa, townships formed around major cities, towns and service centres. The government at that time ensured there was no social cohesion by forcing black citizens to live away from white areas, but close enough to form the backbone of a usable labour force. This is so much so that the Gauteng Provincial Government holds shifting apartheid geographies as a key element in revitalising township economies (GEP, 2014).

This legacy continues into the current period as townships still exist and continue to grow across the country, even though they are dislocated from economic centres. While it is evident that South Africa is not short of initiatives to support small business, township businesses often have limited access to these. These township businesses appear to be non-tax-compliant and too small, unregistered and survivalist in nature to be significant to large-scale economic development initiatives. Furthermore, it has been claimed that many financial inclusion projects for township populations lack the impact that they might ideally have (Whittaker & Kruger, 2019).

However, one of the findings of this study is that very few businesses report enjoying any business support interventions. Despite this, it was found that township entrepreneurial activities are very much alive and vibrant. Further, these ecosystems are spearheaded by very plucky, optimistic, motivated, and dedicated business owners. For this reason, it seems important that township entrepreneurs represent an important and growing opportunity for the kind of development that South Africa so urgently needs.

Entrepreneur Lerato Mothapo from Tembisa

THE INTERVENTION – GIBS EDA'S KHULISANANI/ GODISANANG AND GROWYOURBIZ INITIATIVES

The intervention devised by the EDA was made possible through grant funding by the Walmart Foundation, USA. The brief for this project was to run programmes to assist township-based retail sector entrepreneurs across South Africa to grow their businesses, with the expectation that such growth would have positive benefits for the larger communities in which they operate.

Based on desk research and field visits to several townships, the GIBS EDA team designed a programme that combined a series of interactive, self-directed workshops with coaching and mentoring sessions. These workshops and coaching and mentoring sessions were aimed at developing participants' personal and business skills in order to empower these individuals to grow the businesses they had already successfully established. The sessions were to be implemented over an eight-month period and were held in targeted townships across the country – in community halls familiar to the participants, rather than in traditional 'classroom' settings.

In 2018, programmes took place in: Tembisa (Gauteng); (two separate programmes); Phokeng (North West); and Kwa-Guqa (Mpumalanga). In 2019, four groups were enrolled in: Seshego (Limpopo); Motherwell (Eastern Cape); Mitchells Plain (Western Cape); and Umlazi (KwaZulu-Natal). A total of 247 entrepreneurs participated in the programme over the two years – 82 participated in cohort one and 165 participated in cohort two.

While the brief was initially to provide a programme specifically for retail businesses, the definition was applied loosely to achieve the best match to the nature of township businesses in each geographic location. As a result, businesses included in the programme were engaged in diverse activities, such as running: cosmetic reselling businesses; spaza shops; early childhood development centres; funeral parlours; hair salons; events coordination; fast-food outlets; clothing supply shops; bakeries; and numerous other engagements that were directly 'retail' in nature in the sense that they serve consumers in the immediate vicinity.

In each case, potential entrepreneurs were recruited through door-to-door engagements, as well as using multiple media platforms to encourage completion of online application forms. Those who were selected from the wider pool of applicants received access to business management training and personal development training, as well as coaching and mentoring interventions. The business management modules included training on better understanding finance, marketing, the environment of business, and pricing strategies. Personal development modules included developing personal vision, self-confidence and resilience, as well as relationship management skills. The coaching and mentoring processes were intimately integrated with the workshop content and focused on embedding the skills learnt into the participants' daily personal and business lives. Training and mentoring/coaching took place over eight months for each cohort. The workshops and the coaching and mentoring programmes were offered in English and the predominant mother tongue of each respective region.

The data reported on in the rest of the report was collected before, during and after the main intervention. A description of the research design and methodology employed is included in the appendix to this report.

Mitchells Plain - 2019 Walmart Foundation Graduation

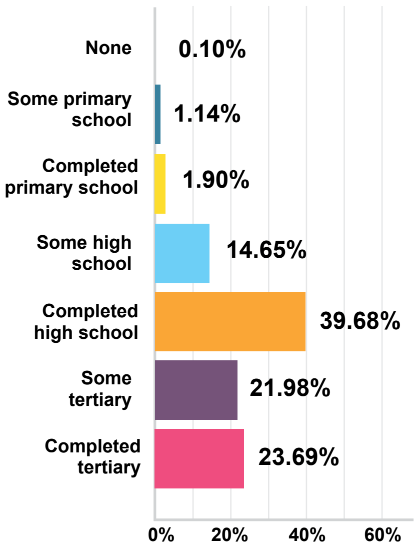
Findings from the Study

The findings below are separated into two parts: Application Data and Outcome Data. For the data derived from application data, only 2019 figures are presented below for the following two reasons: (1) After learnings from the first intake, alterations were made to the application form, therefore uniformity was lost; and (2) this 2019 data set consists of 1 411 responses, thus this sample was deemed large enough to engage with, in and of itself. The outcome assessments comprise data from the 2018 and 2019 quantitative studies respectively, as well as qualitative data collected at the end of each intervention, which is woven throughout, and both inform and support the narrative in respect of the findings.

Entrepreneur Adam Ally from Nvirogreen Solutions

Application Data

The researchers found that education levels among applying township entrepreneurs were higher than anticipated. Over 80% of all applicants had at least completed matric. Moreover, almost one quarter of all applicants had attained a tertiary qualification. This finding challenges some popular notions that township entrepreneurs are all survivalists, in that they have entered into their business because they have no other option.



Entrepreneur Tshireletso More from Smiley Kids Rustenburg

Motherwell - 2019 Walmart Foundation Graduation

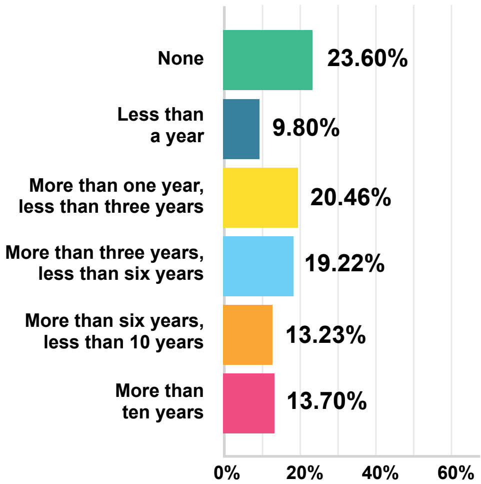


Figure 2: Full-time paid employment experience – All applicants to the programme n=1 441 – Single mention only

The applicants were requested to provide details of their full-time paid employment experience. The chart below reveals that almost a quarter of the entire group had no full-time experience as employees and that over half of the applicant group had less than three years full-time experience of being employed. This data may include those who have never been able to find work, as well as those possibly too young to have worked full-time yet. However, the finding is compelling enough to speculate that a significant proportion of township entrepreneurs may have chosen to forge their own paths rather than taking up full-time employment. Taken together with the education profile described earlier, it is suggested that a third of the individuals applying for this programme have chosen entrepreneurship rather than being forced into it by their circumstances.

Applicants were requested to provide detail on exactly how much experience they had in running the kind of business they were in at the time of applying for the programme. It was found that approximately 38% of the group held at least three years of experience in their business type and only 12% were start-ups looking for assistance. This finding speaks to the fact that township entrepreneurs, while often lacking the skills and expertise, tend to have staying power and notch up experience while keeping their doors open.

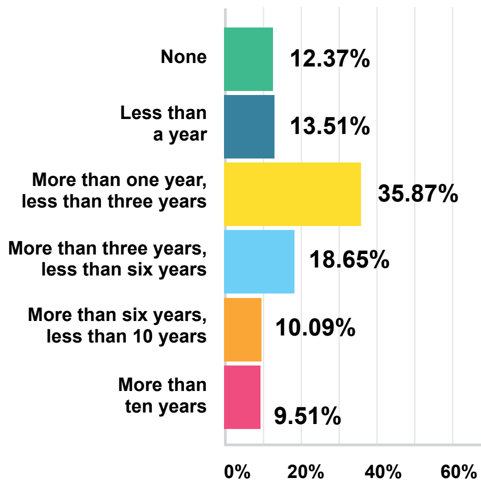


Figure 3: Experience running current business – All applicants to the programme n=1 441 – Single mention only

While the finding above does not necessarily speak to continued or sustained experience in the business type, the graph below confirms that survival rates are rather impressive within these contexts. Despite townships apparently not offering the same ecosystems or business support processes as cities and large towns, when asked how long their current businesses have been operational for, participants said that 23% of the businesses had been actively trading for over three years and a full 48% for at least 18 months.

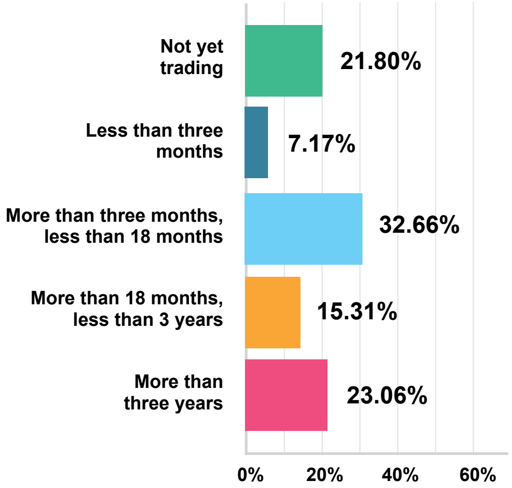


Figure 4: Length of time current business has been running – All applicants to the programme n=1 441 – Single mention only

Participants with active businesses were asked about the legal structure of their businesses. Just over 30% of businesses were unregistered, which challenges the idea that township businesses are automatically informal businesses. It also reveals that these entrepreneurs are cognisant of compliance factors. Most commonly, the private company was the preferred legal structure of a township business.

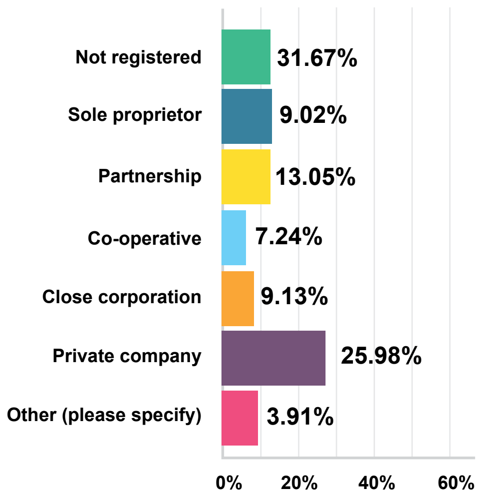


Figure 5: Legal structure of the business – All applicants n=1 051 – Single mention only

When the applicants were asked to describe their main customers, the results were somewhat surprising. The nature of the businesses implied that the vast majority of them relied on consumers exclusively. However, it was found that while two thirds of the group listed consumers, almost half also listed other small businesses as key clients. This finding suggests that networks of small business ecosystems are more co-dependent than many may have thought. Another notable finding was that over 10% of the group listed having corporate clients, which means that approximately 100 of these small township businesses have dealt with big organisations in doing business. It is likely that many such engagements may have been with cash-and-carry entities.

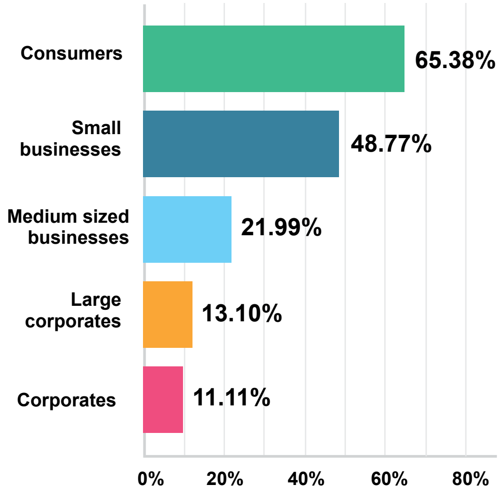


Figure 6: Description of main customers of the business – All applicants n=1 051 – Multiple mentions possible

Applicants were asked about their motivations for starting a business. While there was an array of answers, the most dominant reply was opportunity recognition. This claim was followed by a desire to use personal skills and a desire to contribute to the immediate community. Such statements show a genuine collectivistic concern for the well-being of the community, coupled with self-belief that the skills each respective individual possesses might be monetised through opportunity recognition. Notably, having no other employment option, being motivated by money alone and wanting to leave a job were very low-impact factors regarding motivation to start a business. These findings suggest that township business owners tend towards being genuinely entrepreneurial, rather than being victims of the context in which they find themselves.

ANSWER CHOICES	RESPONSES	
I had no other employment option	**8.85%**	93
I wanted more independence than I have/had in my current/previous job	**11.42%**	120
I wanted to make more money than I could as an employee	**7.23%**	76
I identified a good opportunity	**28.83%**	303
I wanted to make use of my experience and skills	**21.31%**	224
I want to make a contribution to the community	**19.41%**	204
Other (please specify)	**2.95%**	31
TOTAL	**1,051**	

Table 1: Main motivation for starting a business – All applicants to the programme n=1 051 – Single mention only

The quantitative data was supported by the qualitative, with participants in the programme citing a variety of educational backgrounds and motivations, many of which are typically associated with formal sector, 'opportunity' entrepreneurs:

> *My educational background is that I've done chemical engineering, only up until third year, then I had financial issues, but coming back I didn't – I was not very keen on going back to continue the engineering because I've always been a business person. From age of eight, nine, 10, I've always been selling something. My grandfather was one of the pioneer taxi owners in my community and I've always had that thing that I must be my own man, I don't want to be employed, I don't want this.*
>
> *Anyway, I think what grew from that was my curiosity to know how can I do this for me? Because I'm working for a boss for so long and I know I can do this for myself, even though I had no idea how. And that's kind of where me being an entrepreneur was born; it was birthed from looking at somebody else's struggle and asking why can they not be a boss, and then me wanting to know for myself, how can I do it?*
>
> *So I then thought or gave it a thought of how different can I be into the market. That's when I thought of bringing in – because I saw the niche in my city, there was nothing there, or let me say even in my province. That's when I thought, let me bring this thing on, and then I developed that business.*

The factors relating to why the individuals started their businesses tie into why they applied for the programme. The common themes were personal entrepreneurial development, sustainable business growth, and community development. Short-term and immediate gains like getting business leads or accessing finance were not major motivating factors for applying to be on the programme. It is evident that these township entrepreneurs were reaching out to enjoy more sustainable business growth, self-development as a business owner, and community upliftment.

ANSWER CHOICES	RESPONSES	
To develop myself as an entrepreneur	**23.31%**	245
To develop my business skills	**11.23%**	118
To develop myself personally	**2.76%**	29
To gain access to funding	**8.94%**	94
To generate new business leads	**6.37%**	67
To connect to other entrepreneurs	**5.61%**	59
To help develop my community	**11.61%**	122
To grow my business successfully	**29.40%**	309
Other (please specify)	**0.76%**	8
TOTAL	**1,051**	

Table 2: Main motivation for applying for the programme – All applicants to the programme n=1 051 – Single mention only

As noted earlier, entrepreneurship is seen as a priority for enhancing national growth and development, with the result that a great many public- and private-sector interventions are currently being implemented to support and develop entrepreneurs. Nevertheless, when asked if they had ever participated in any business development programme, only 10% of the group stated that they had, with 1 051 valid responses to this question. This means that out of 1 051 responses from township-based entrepreneurs, 943 had never received any kind of business support through any formal programme or intervention.

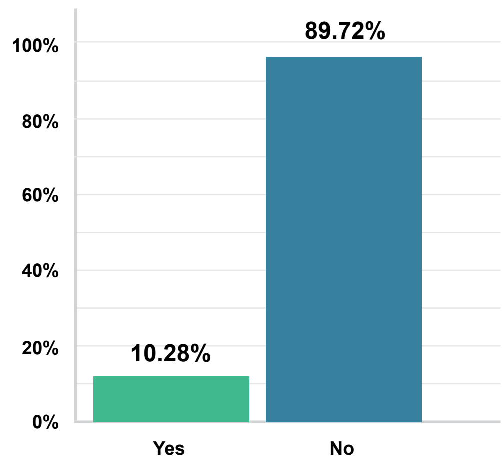


Figure 7: Prior participation in any business support programme – All applicants n=1 051 – Single mention only

Applicants were asked to describe their communities in terms of the extent to which they demonstrate entrepreneur-friendly characteristics. The group was largely positive in response to a series of questions, with the majority of respondents agreeing or strongly agreeing that: there were many good opportunities for new businesses; entrepreneurship was regarded as a good career choice; entrepreneurs enjoyed respect; and that successful entrepreneurs were well known.

	In my community successful entrepreneurs enjoy respect and high status	Entrepreneurship is regarded as a good career choice by people I know	There are many good opportunities for new businesses in my area
STRONGLY DISAGREE (1)	**3.22%** 33	**2.92%** 30	**3.51%** 36
DISAGREE (2)	**7.12%** 73	**5.25%** 54	**4.97%** 51
NEUTRAL (3)	**18.13%** 186	**11.19%** 115	**13.44%** 138
AGREE (4)	**42.59%** 437	**45.62%** 469	**41.09%** 422
STRONGLY AGREE (5)	**28.95%** 297	**35.02%** 360	**37.00%** 380
TOTAL	1.026	1.028	1.027
WEIGHTED AVERAGE	3.87	4.05	4.03

Table 3: Attitudes towards entrepreneurs in my community – All applicants n=1 028

Only a few respondents in the qualitative study did not always feel supported in the communities in which they operate:

> *I see my vision, I see my dream, relax, I'm going somewhere. But now there are those people that you rely on and they come and say, 'hey man you are not making a profit, why don't you leave this thing and do something else, why don't you go and work?'*

The data derived from the application forms offers some useful insight into the health of the township entrepreneurial context. Township entrepreneurs in this study were comparatively well educated and most had enjoyed some prior work experience. While the majority were running new businesses, 38% had been running their current businesses for more than three years, suggesting that these were relatively stable and possibly sustainable enterprises. Over a third were formally registered and most appear to focus mainly on local consumers and small businesses in their own communities. Although very few of these entrepreneurs had experienced any kind of business development programme in the past, they were very eager to access what they saw as an opportunity to develop and grow themselves and their businesses.

Outcome Assessment Data – Group 1 (2018)

This data includes information gathered at the beginning of the programme and then again five months into the programme. Integrated within the data are findings from focus groups in each area that were run towards the latter part of the programme. For cohort one, the information relates to businesses active in Tembisa (two groups), Kwa-Guqa (Witbank), and Phokeng (Rustenburg). In total, 82 beneficiaries were sampled at baseline for this programme.

Firstly, participants were asked to respond to scale items (4 pt.) about their preferred modes of thinking and acting. What was found over time was participants were less inclined to:

- Avoiding or non-conformity to rules;
- Finding routine tasks boring;
- Acting quickly without consideration; and
- Caring about how others feel in relation to business activities.

In terms of increases, the participants:

- Expressed more personal enjoyment in what they do;
- Felt slightly more inclined to want to be the best at what one does, but also with a view to the future; and
- Were recorded as perceiving themselves more as confident individuals.

The programme has had the effect of improving conscientiousness and reducing unconsidered spontaneity. Furthermore, some increases in deriving enjoyment in daily tasks, along with increases in confidence were noted, as illustrated in Figure 9.

This data is supported by qualitative data from the focus groups conducted with programme participants, who felt that the personal development they had achieved during the programme was at least as important as the business development they had achieved over the period:

GIBS has taught me how to be the real me. Equipped me with personal and business skills which I can share and show my husband how and where and why, and we work well together, and we thank you.

This programme was very helpful. It helps you as an individual, it helps your business. So those things were things that we – I normally mix them up, but as from now I know that I'm going somewhere, because I've got two things in my hand, that is myself and my business.

What was most important for me was to bring the balance in my life. There was no balance at all. And I didn't understand that it is a need for a business to grow, I need to grow as well. Because now I understand that there is no business without me.

And the programme has given me so much confidence, my confidence is actually so overwhelming that I feel I can sit in any – within any delegation from whatever level, international or national, or local, and be able to conduct or engage with them. And yoh, I tell you, our business has grown, we've realised our goals and visions 18 months before the time.

Programme participants were asked what changes they had made to their businesses in the previous six months, both at

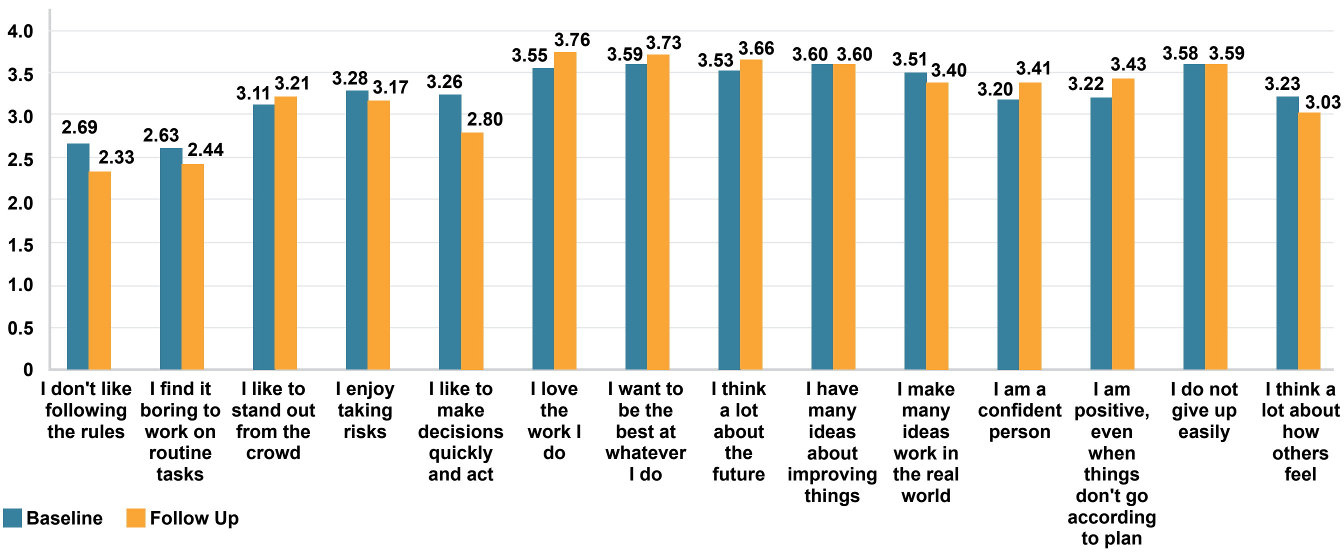


Figure 9: Preferred ways of thinking and acting – All participants 2018 n=82 – Average score for each item

the start of the programme (baseline level) and then again at the follow-up five months later. It was found that a lower proportion of the group had been working on new products and services at the follow-up compared to the baseline. Furthermore, less new business had been secured and fewer staff had been hired. While these findings may be viewed as troublesome, the data shows that participants had instead been involved in a great deal of considered consolidation.

This is to say that the entrepreneurs were spending more time on: improving existing products/services; removing unprofitable products/services; implementing new systems and processes in the business; and reducing expenses by the end of the programme. This suggests that the programme has stimulated deeper thinking about measures to stabilise the existing business, making it more efficient and cost-effective, and in so doing, strengthening the foundation for future growth.

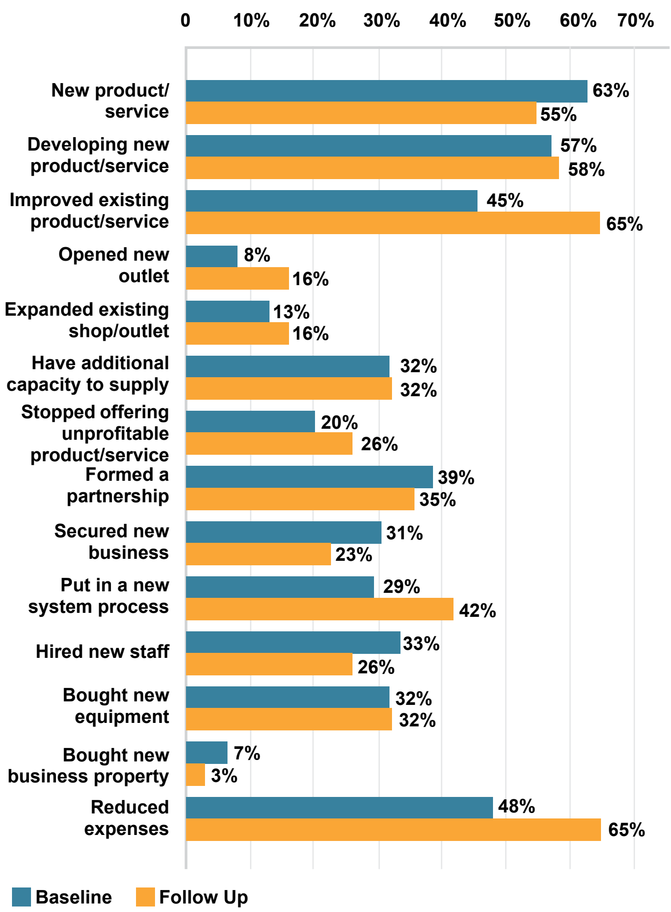


Figure 10: Changes to the business in the previous six months – All participants 2018
n=82 – Multiple mentions possible

The focus group participants confirmed that they had been through a process of refining, streamlining and consolidating their businesses in preparation for growth:

> *So one of the things that I had to also get to do is now that I am meeting the different needs do I have the correct staff. Okay, the staff is there, are they doing what they're supposed to be doing? So hence having come up with some of the different strategies that I had to do now within December and also is my premises meeting the need of the people that are coming, and I had to facelift. So December I was going through a lot of changes, face-lifting, putting this there, changing here.*

> *I was able to pick or learn that where we were going wrong, especially when it comes to financial management. And we took a decision to say, the market that we are serving right now, or where we are at, is not good for our business, or it's not growing our business, hence the decision to say, let's take it over to Pretoria. And I would say there is development. I will be going over this weekend to go and see the premises that they've found.*

The delegates were asked at the beginning and end of the programme what their most significant business challenges were. The programme's impact across the challenges listed was highly evident. The respondents had less trouble at the end of the programme when it came to cash flow, sourcing funding, sourcing customers, costing their goods/services, sourcing good suppliers, setting up financial systems, and in marketing their businesses. These changes suggest that respondents felt less challenged by key business activities as a result of what they had learnt. Marginal increases were noted in terms of staff challenges (although this remained low) as well as time management. The latter may have been due to the 16 full days required (over six months) to attend the programme.

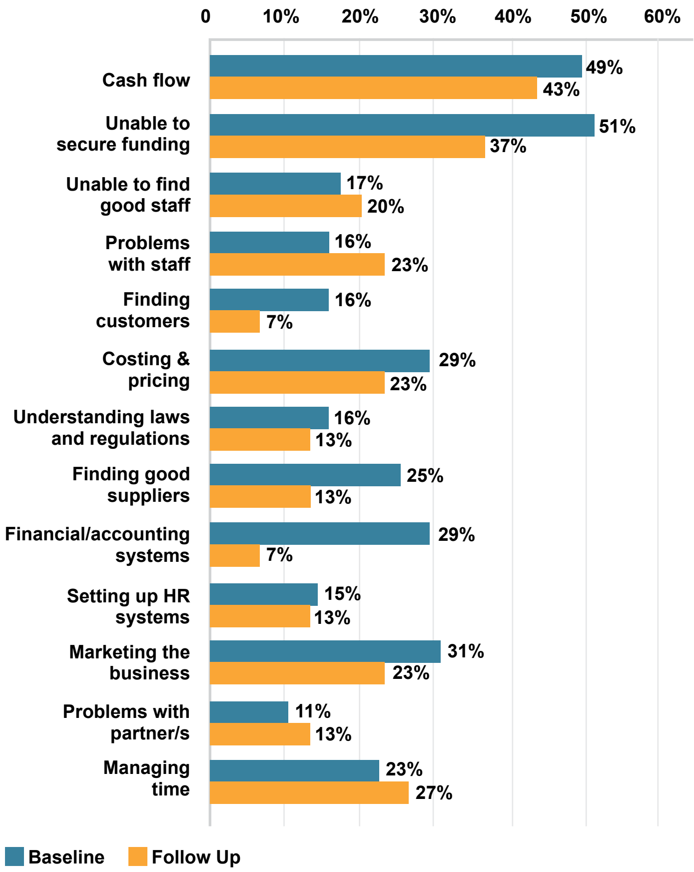


Figure 11: Main challenges facing the business – All participants 2018
n=82 – Multiple mentions possible

These shifts in terms of what participants saw as challenges were also clearly articulated during the qualitative focus groups:

> *I learnt costing, something that I really needed because I was making money before, but I didn't see the value of my money because every amount I was doing by the time I spent it on unnecessary issues. Now, since I put it in practice, I start realising that this is really my business and it's working for me. Because when I put it in and I practice I start – I bought two welding machines, I bought two compressors, now I bought an aluminium cutter.*

> *We learnt about the resources and what you can do with your leftover resources, and I started with more products, because I had leftover fabric. And I thought, okay, I'm not going to price myself so cheap like I did anymore, I'm going to go out there and look at other prices in the shops and so forth.*

> *When it comes to accounting stuff, I was always lazy, because I knew that we have accountants who deal with all those other things. It's starting to recognise each and every single thing, I think I'll start also doing my own paperwork from now on, here and there.*

> *I was under the impression that my business wasn't doing well, because it is a seasonal business. But when I came here it gave me opportunity to meet other people, I started networking and I learnt how to build relationships, which was something that I was lacking. I started building relationships with other stakeholders, which before wasn't a priority to me, I was just doing the business.*

At both the beginning and end of the programme, the delegates were requested to rate their beliefs relating to their personal levels of general business acumen. The largest shift over time took place in the group rating themselves to be average – with these individuals shifting to the 'good' and 'very good' categories. Overall, by the end of the programme, 84% of the group perceived their business acumen to reside within the top two categories.

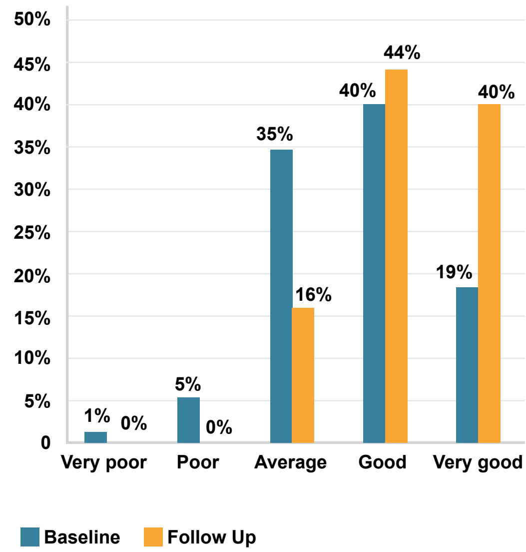


Figure 12: Participants' assessment of their business skills – All participants
n=82 – Single mention only

Over time, changes were noted in the participants' business growth intentions. By the end of the programme, the vast majority sought either slow or steady growth. This ties into the theme of business sustainability that has become evident in the data. Moreover, it would appear that the group held more realistic business growth intentions, with a fifth of the group seeking rapid growth by the end of the programme – down from a third at the start. This also suggests that participants had a better understanding of the risks inherent in rapid growth.

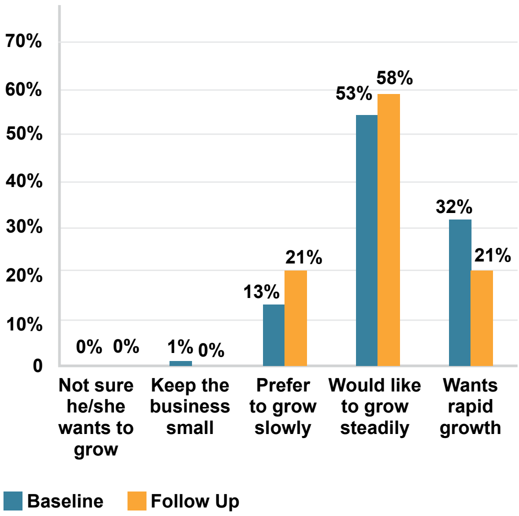


Figure 13: Participants' business growth intentions – All participants n=82 – Single mention only

The intention to grow was strongly expressed during the focus groups as well, thereby supporting the quantitative results:

> *It will be a success, especially within the province. I see many people partnering with me, hopefully in the youth, to join this venture and also do this work. But I don't see myself only doing one business in five years; I want to focus on my bigger plan, which is to grow the city in a small way, but in a major way too. I see myself being not just an entrepreneur, but a market influencer.*

> *I see my business growing to other provinces, in particularly I'm targeting townships. So I'm seeing myself opening in Soweto and KwaMashu, and everywhere. In Jo'burg, Cape Town, Pietermaritzburg, Port Shepstone, but all the townships is our target, we're not going to go for the suburbs. So we are going to exhaust all the townships in South Africa, and also we're looking into manufacturing our own products.*

Interestingly, the qualitative focus groups revealed that some participants had already begun to grow their businesses during the programme:

Entrepreneur Nthabiseng Thabethe from Rustenburg

> *Everything started to come into clear colour. So I've learnt a lot and even now the stage where my business is, from when I started – I got a second container, now I'm moving to a bigger space. And I managed to buy myself a car. And I've got about – because we were like two when we started, now there's about six of us.*

> *My business was dead until I learnt that I must go and look for jobs and projects. So at the moment now I'm sitting with two projects out of this.*

> *And then I just followed those steps that I learnt, consistency, patience, cleanliness, all those things, if you follow that you won't go wrong, and I've seen that. I've doubled the sales, my daily sales is unbelievable. And for now, like since now I'm going to have a 24-hour operation, there is nothing that can hold me.*

By the end of 2018, it had become clear that the intervention was having the desired effect. Participants were experiencing personal growth, enhancing their confidence and 'soft skills' as well as learning hard business skills. These newly developed skills were impacting their businesses to the extent that these were being run in a more systematic way. Participants were either already experiencing business growth or intending to grow from what they believed was a more stable foundation.

Outcome Assessment Data – Group 2 (2019)

For the second group, the data reported also consists of information gathered at the beginning of the programme and then again five months into the programme. The data set also includes qualitative comments derived from focus groups at the programme close-out. For cohort two, the information relates to businesses active in Motherwell (Eastern Cape), Mitchells Plain (Cape Town), Umlazi (KwaZulu-Natal), and Seshego (Limpopo). In total, 165 participants were surveyed at baseline for this programme and again five months into the programme. The results are reported on separately for this intervention in 2019, as some methodological changes were made based on learnings from the first iteration.

In relation to thinking and behaviour, scale items from the cohort one questionnaire were replicated, but with a five-point scale for the cohort two questionnaire. Most notably, the findings reveal that:

- There were increases in a desire for uniqueness (standing out);
- Participants' expression of enjoyment for the work that they are engaged in increased;
- Once again there was also a decrease in wanting to make hasty decisions;
- There was generally less concern for the feelings of others in executing daily tasks; and
- A lower risk appetite was displayed over time.

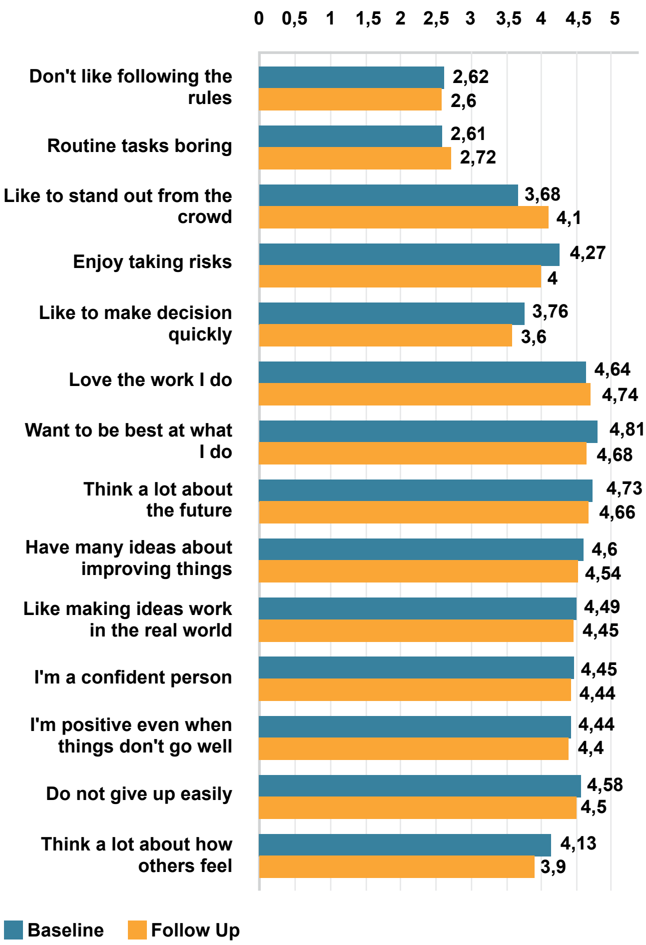


Figure 14: Preferred ways of thinking and acting – All participants 2019 n=162 – Average score out of five per statement

Once again, the qualitative data revealed that participants in the programme placed high value on the personal development they had experienced during the programme:

> *So now a lot of the fears that I had late last year and dealing with targeting so that I can influence what is it I'm doing. So it has been quite an interesting time for me and a lot of learning curves for me.*

> *What stood out is that personal component of goal setting, because that's where one was lacking mostly, which I believe that most of us are failing because we're failing to have goals and to follow the principle, the smart principle in terms of our goals. So ever since I came here, now I'm sharp, my goals are smart, they are no more just goals with no time bound. So they have to be measurable, so I know now that this goal I have to achieve at certain point in time.*

> *I think speaking of personal journey it helped me for just the reflection, realising this is what I want to do and really I learnt that I am an entrepreneur, I have to find solutions.*

> *What I've realised about GIBS they can change your mindset, so they can change your way of thinking, your way of doing things.*

In addition, for cohort two, participants were asked to rate their perceived competence on a five-point scale across 19 items that covered an array of important general business functions that research has shown are relevant to business success. For the purposes of this report, only selected items that showed large change over time are reported on.

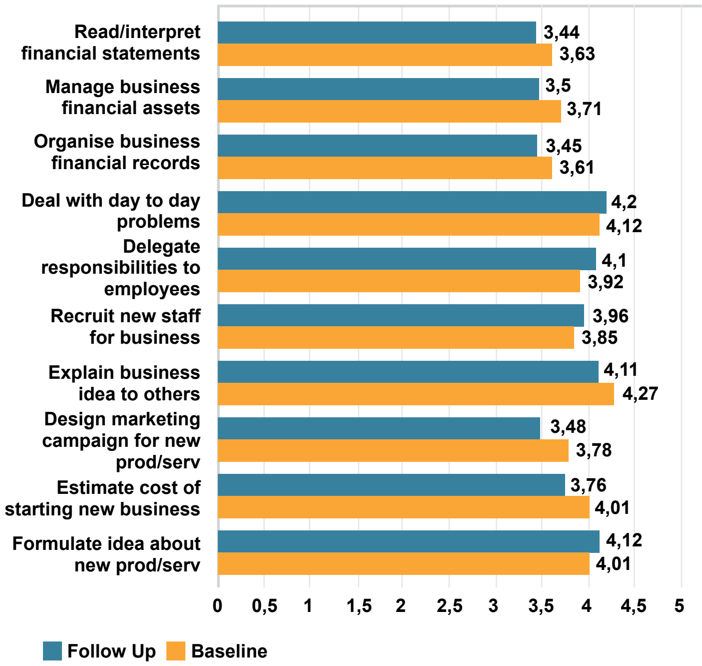


Figure 15: Confidence in abilities – All participants 2019 n=162 – Average score out of five per statement

Qualitative comments from participants indicated that by developing more confidence in their abilities, they had been able to benefit personally as well as improving their business practices:

> *One of the skills that came from GIBS to say you have the confidence to include your employees in your plans. How do I include them? I also give them tasks, I give them roles, I have a store manager, I have a supervisor, which I didn't have before. I was the store manager, the supervisor, I say it all. So now I have people who have to look after certain things so I include them.*

> *Sometimes it makes sense in your head that okay, this is what you do, and it makes total sense in your head, but when you have to say it to someone else within a specific time period that's the true test. I'm learning how to do elevated pitches and most of all I'm learning how to package my stuff.*

> *So yes, I think being selective of my network, and being proactive in trying to start relationships. Like identifying people that I would like to learn from and not being scared of rejection. Like writing an email to someone or sending a DM to someone I admire, who six months ago I would have thought is out of reach. And surprisingly 80% of replies are positive.*

Instead of merely rating the perception of personal business acumen, those in cohort two were requested to provide a relative perceptual view of their business skills compared to 'others'. The findings did not show significant change over time, but the proportion of people rating their relative business skills in the two lowest categories diminished from 11% to 4%.

Entrepreneur Sina Masisi from Rustenburg

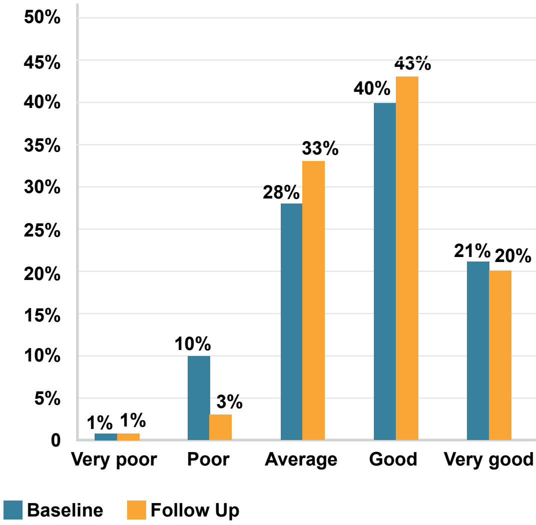


Figure 16: Overall rating of business skills compared to others – All participants 2019 n=162 – Single mention only

During the focus groups, participants reinforced the improvement in their business skills by explaining how they had applied their learning in their business operations:

> *I was actually getting to the frustration point, basically because I did not have a lot of systems together. So it helped me now structure going forward, and I think that is a lot of what I did.*

I usually think that I have to be everywhere. So now I know that I have to delegate to be able to give my staff, my other people things to do, because sometimes I do depot and catering at the same time, I want to be in both places. So at least now I need to – I know that I have to assign people to be in those specific places that I cannot be there. So delegation was not my thing, I used to be all over the place. So I now have to sit down and plan with the staff that some have to be in the places that I cannot get to.

In terms of marketing, I only thought marketing is about telling the next person, but here I've learnt that even the clients that you have, in order for you to keep your clients and keep the business coming, you need to go back to clients and ask for feedback, and also advertise new products that you have.

Cohort two's delegates provided responses to levels of profitability in their businesses over the last 12 months at each data collection period. It was found that substantial improvements in reported profit margins had taken place. Entrepreneurs reporting a profit had increased to 69% (up from 38%), those claiming to break-even showed similar proportions over time, while those claiming a loss resided at 19% of the group (down from 26%). The results link to findings on business changes that have been made – especially those relating to a drive towards cost reduction and business efficiency.

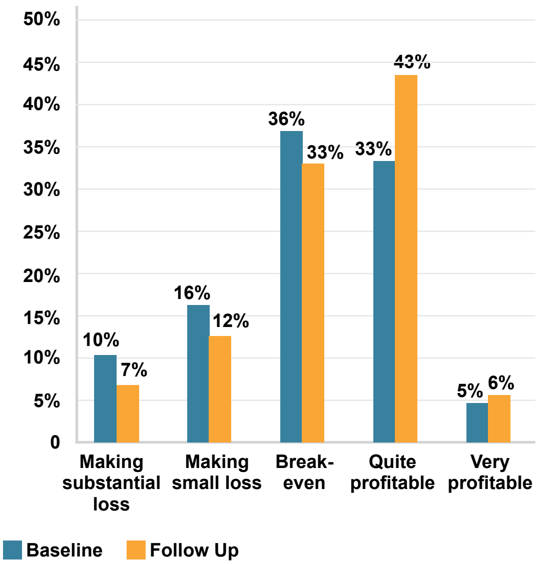


Figure 17: Current performance of business – All participants 2019
n=162 – Single mention only

Following on from profitability, the township entrepreneurs were asked to report on business growth over the last year at the two intervals, as demonstrated in Figure 18. The findings support those regarding profit, as 27% of the group reported growth of 15% or more at the follow-up assessment (up from 12%), and only 15% reported very slow growth (down from 26%).

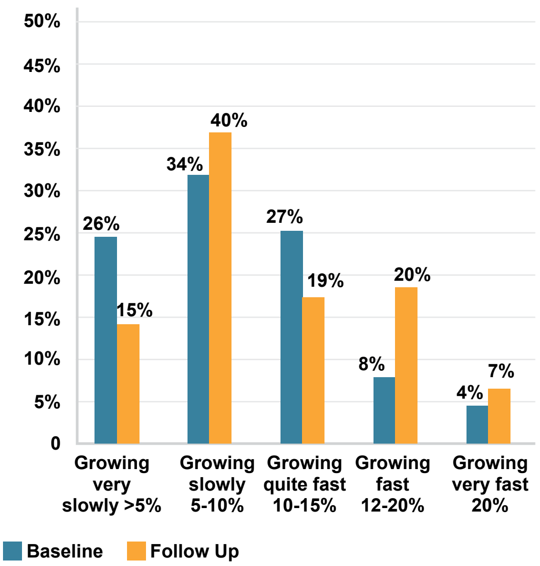


Figure 18: Business growth over the past 12 months – All participants 2019
n=162 – Single mention only

Several focus group participants confirmed that their businesses had grown during the time of the intervention:

My business was not doing well before I came here. Now that my business is doing well because I learnt how to save money. Before when the money got into my account I took the money and went shopping. Now I know I must save. I know the business money is meant for the business, not for me.

We are just in a win-win-win situation, and the business has grown over the five blocks, eight blocks, we have grown remarkably. So we have a national footprint, we're about to have an international footprint, and I don't think that any other course would have been able to allow us to do that.

Since I started at GIBS, I started with one employee, but now I have two permanent and two temps.

Figure 19 demonstrates that, as with cohort one, growth intentions appeared to become somewhat more realistic towards the end of the programme. Most of the beneficiaries sought growth that was either slow or steady at the follow-up assessment (64%). There was a reduction in the number looking for rapid growth over time, albeit slightly less pronounced than was found for the 2018 cohort.

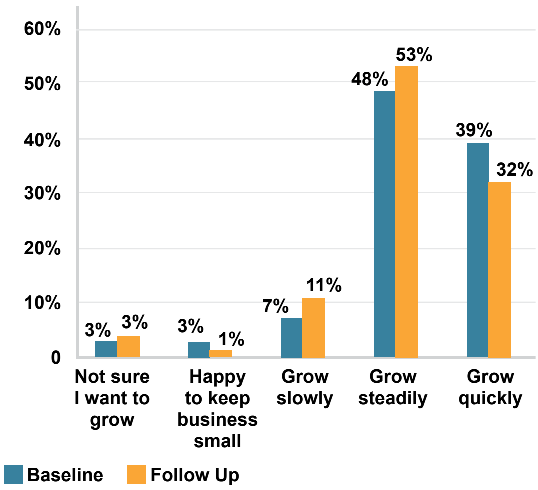


Figure 19: Growth intentions for business – All participants 2019 n=162 – Single mention only

Qualitative comments made by focus group participants highlighted that some township entrepreneurs are fiercely ambitious for their businesses, while other growth intentions are more modest:

> *I've learnt not to like just spread out the actual business itself, because at first it was just mostly dealing with one supplier, one service provider the whole way. Then throughout this whole year, it's actually grown to a space where we now negotiate our own licence and terms. So firstly it was just to build infrastructure, now we have our own licence, we can be an actual service provider. So hopefully they will give us more money and we can build even bigger.*

> *Yes, I need a bigger space, and so I need finances, so I need to work hard now to get more money to get a bigger space. Because I don't want to move out of my area, I want to stay where I am. I want to do something in the community to help my community. So I'm just going to – I'm in my yard at the moment, in a Wendy house, so I'm just going to expand, make it bigger. Because I do have space in the yard, I'm just going to make it bigger. So I'm just work hard now for money so that I can expand.*

Recent changes to the business emulate many of the findings from the 2018 cohort, as illustrated in Figure 20. Once again, the entrepreneurs reported improving on existing products and services, along with offering fewer unprofitable products and services. This coincided with having more capacity to supply, formation of partnerships, securing new clients, procuring new equipment, and reducing expenses. One key difference between cohorts was that the 2019 intake not only improved on existing offerings, but also endeavoured to begin offering new products/services.

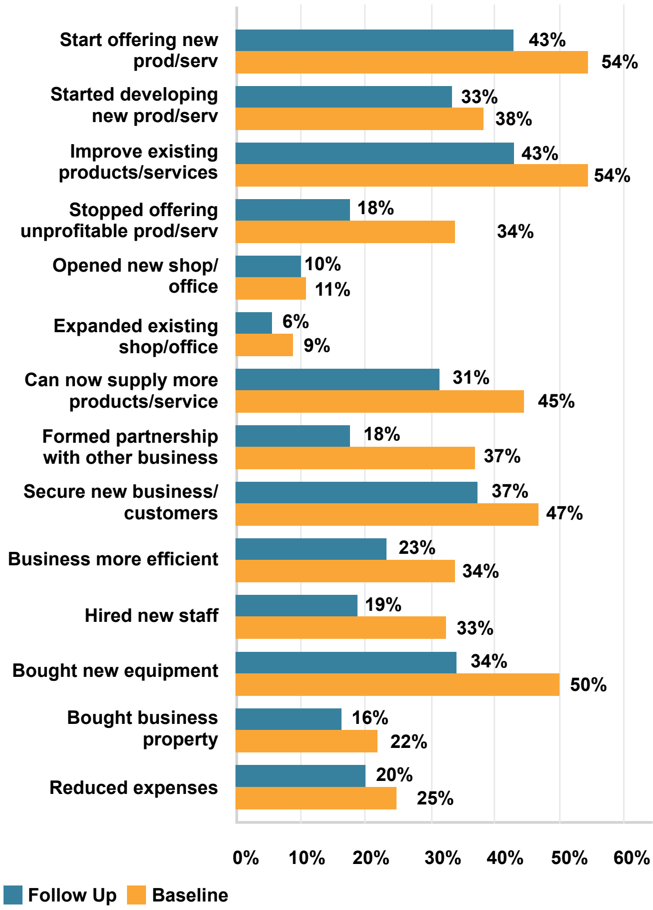


Figure 20: Changes to the business in the past 12 months – All participants 2019 n=162 – Multiple mentions possible

The qualitative comments from the focus groups provide a rich picture of the kinds of developments that participants implemented in their businesses:

> *I've learnt from GIBS that when you're doing business you need to market yourself, you need to network, and also you need to have feedback from your clients. That's what I've learnt from the business. And it helped me a lot.*

> *From now I've learnt a lot here, that you don't put eggs in one basket. So I started now looking for jobs for my company, because I've learnt that you should be able to source work when you finished this project, then you can be able to work another project again.*

Maybe you get the building, they said you get the tender of the renovating the building. Instead of doing that building alone, you can look for the other person who is doing this construction and then maybe he's got a plumber and you don't have a plumber, or that person has someone to do the tiles, and you don't have – you must not keep the business to yourself, you must try to share. You must try to share to other people.

I did my aftercare because I had money for electricity, I had money for the bond, I had money for school fees, and whatever needed. But ever since I started GIBS, it's like so different, the money is different. I can't even explain. It's not much more, it's just different. And I know now how to look at things differently also.

I had this imagination that when you want to increase your revenue you have to increase the price of whatever you're selling. From this programme, I've learnt that you don't have to just increase the price, you could lessen some things. Like you could – let's say you're selling a packet of chips, you could lessen the amount of chips that you put in the product, or you could get another – you could change maybe the packaging of whatever you are selling and boost the price as well. So I learnt that when it comes to costing and pricing there's dynamics towards it, it's not just straight forward.

The 2019 cohort experienced a decline in having cash flow and access to finance issues, as is evident in Figure 21. As with the 2018 cohort, this is likely due to the reduction in expenses and greater business efficiencies put in place.

Delegates were experiencing less trouble in finding customers and marketing the business by the end of the programme. However, two challenges that increased in prevalence were costing and pricing and the establishment of accounting and financial systems. It was found on the programme that one of the largest earnings was related to financial management. Therefore, it is likely that by the end of the programme the beneficiaries were that much more aware of what was needed to implement greater financial controls, and thus were more conscious of what still needed to be effected in their businesses.

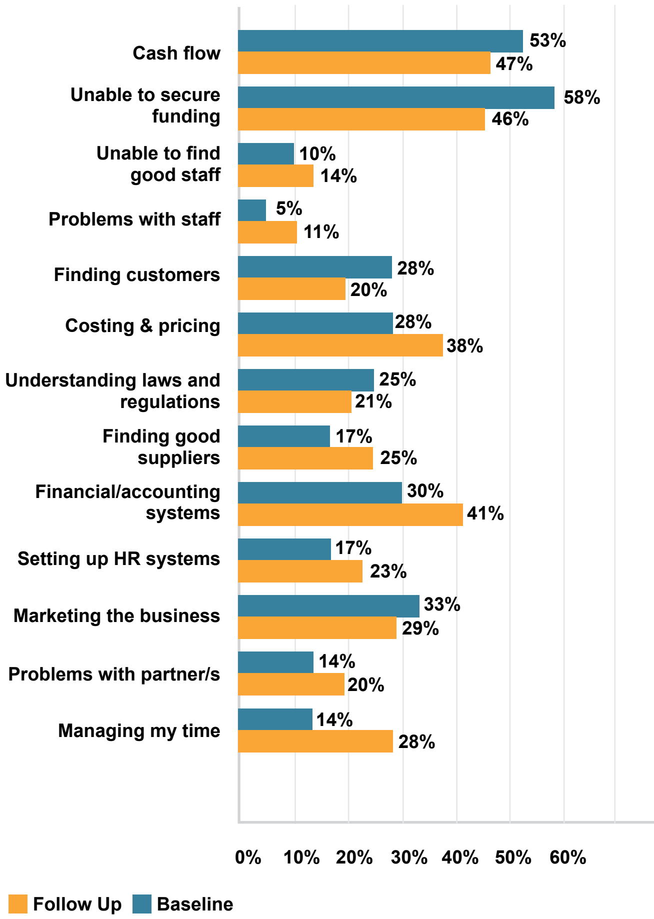


Figure 21: Business challenges – All participants 2019 n=162 – Multiple mentions possible

Once again, the participants in the focus groups highlighted how much personal and business growth they had experienced as a result of the programme, and indicated that this had assisted in mitigating the challenges they faced:

The most important one was the financial part, because I was misusing the funds of the business, I couldn't separate them, but throughout the programme now I'm able to do that. What I really thought the most important one is the costing and pricing, because those are the main factors of the business, that if you can't manage costing and pricing the business surely will suffer.

I've learnt so much with regards to finances. How to do income statement. Usually I used to outsource that part, even if it's just something that I can do myself. So I've managed to learn that, so now I'm doing my own income and expense books.

One of the things that I've got from GIBS, that administration has to be very easy. Most of us we don't like administration. So it's better to have one invoice that's got 10 things, than 10 little invoices with one item each.

And we also realise that one of the things that causes wastage is because of our stock is not neatly packed, we need to have order, we need to have systems so that people know that if you want something it's always in a certain place, it's not here today, there tomorrow. Because if you do that you end up losing count and you start buying things that you already have because you think you don't have.

Motherwell - 2019 Walmart Foundation Graduation

Class in session in Mitchells Plain

Summary and Conclusions

This report documents the experience of the GIBS EDA's Khulisanani/Godisanang and GrowYourBiz Initiatives , conducted across South Africa during 2018 and 2019, and supported by the Walmart Foundation.

Data was included from the applications submitted by township entrepreneurs as it provides interesting insight into the hidden potential of township economies. The study found that education levels were relatively high, with over 80% of all programme applicants holding at least a matric. At least one third of over 1 000 applicants had chosen entrepreneurship because of the opportunities it represents, rather than being forced into it for the sake of survival.

Only 12% of this sample were start-ups, while almost 40% had been running for over three years. Surprisingly, only a third of all applying businesses were not registered. Motivations for starting the businesses were dominated by opportunity recognition, wanting to exploit personal skills, and an equal desire to contribute to the community. Applicants wanted growth – both personally and for their businesses – but most had never experienced any form of business development support services. The applicant group believed that in their communities, entrepreneurship is generally a respected and celebrated endeavour.

Among the 2018 intake, it was found that as a result of the GIBS/Walmart Foundation programme, participating township entrepreneurs experienced: greater enjoyment in what they were doing every day; increased confidence; less rash action and decision-making; a greater focus on existing business activities and on improving what they had while actively reducing expenses; a decline in perceived business challenges across 11 functional areas; and a significant improvement in their business skills.

Among the 2019 intake, key findings were that participating township entrepreneurs experienced: an increased desire for uniqueness, greater enjoyment in what they did, and less haste in decision-making mixed with lower risk appetite; increases in their perceived ability to read and manage financial documents and assets; and greater confidence in their abilities to cost products and market these more effectively. In addition, participants reported that: overall business profitability had improved; in line with profit, actual business growth also showed increases; and greater intentions to offer new products while also improving on existing products.

Based on the data in this report and experience in designing and implementing this programme, a tentative model is proposed for the development of township entrepreneurs across South Africa. It is tentative because it is yet to be fully researched, and its long-term impact must still be fully measured. These early findings suggest that it could be replicated in multiple communities with great effect. The model has three main components, as illustrated in Figure 22.

GIBS - 2018 Walmart Foundation Graduation

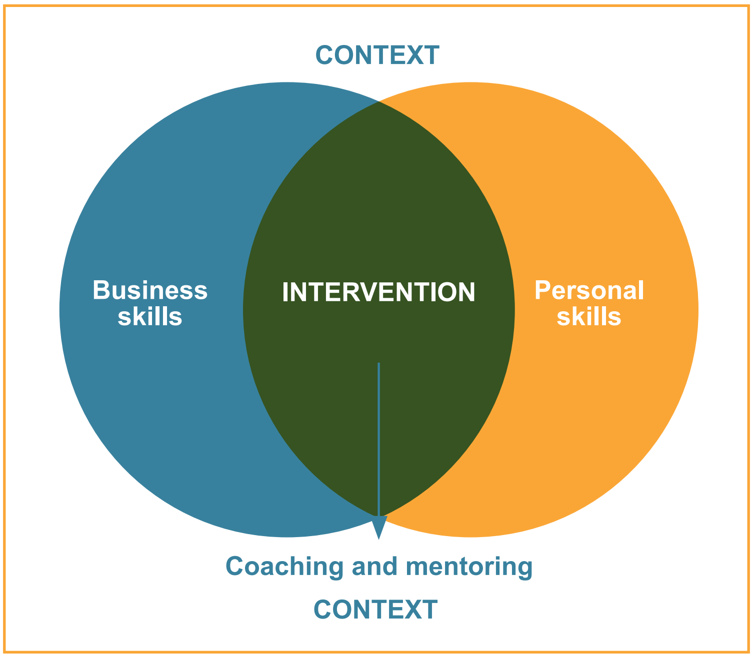


Figure 22: Model for the development of township entrepreneurs

The context that each township represents is distinctive. Hence, it is suggested that any intervention to develop entrepreneurs in a township must be context-specific as far as possible, integrating these distinctive features into the running of the programme. The intervention itself should focus on enhancing the person and the business, developing 'hard' business skills at the same time as 'soft' internal and social skills. Experience has shown that a combination of workshop style sessions and mentoring and coaching sessions delivers the best results, at least in the short term.

While it is too early to make a definitive finding of the impact of the Walmart Foundation/GIBS Khulisanani/Godisanang and GrowYourBiz Initiatives, there are early outcome indicators that it may prove to be successful in achieving its goal of stimulating growth and development in South Africa's townships. On the basis of this data, it can be concluded that township entrepreneurs are already doing well and have the potential to do even better if they had improved access to entrepreneurial development programmes. Others are encouraged to join in unlocking what seems to be a remarkable and overlooked potential on South Africa's doorstep.

Umlazi - 2019 Walmart Foundation Graduation

Seshego - 2019 Walmart Foundation Graduation

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From left, the Entrepreneurship Development Academy's Senior Programme Manager Feroza Essop with Portia Yolanda Bebula and Programme Coordinator Banele Kubheka

From left, Programme Manager Mbali Dhlamini from the Entrepreneurship Development Academy with entrepreneur, Thabo Mogadime and integrator, Kagiso Kekana

Appendix: Research Design and Methodology

This appendix outlines the research design and methodology employed in conducting the research relating to the Khulisanani/Godisanang and GrowYourBiz Initiatives funded by the Walmart Foundation and designed and implemented by GIBS's EDA during 2018 and 2019. It briefly describes the population and sample, and methods employed in the collection and analysis of the data.

RESEARCH DESIGN

The opportunity to make a contribution to the domain of township entrepreneurship through empirical studies of the phenomenon is clear. Therefore, this was the guiding principle for the design of the current study, which employed a mixed methods design, including quantitative self-completion survey techniques and qualitative focus group techniques.

POPULATION AND SAMPLE

The population was defined as all entrepreneurs operating formal- and informal-sector businesses in township enterprises across South Africa. It is generally agreed that there is currently no comprehensive, available sampling frame or database of social enterprises in the country. The sample was a purposive non-probability sample in that it comprised all those individuals who applied to attend or did attend the Khulisanani/Godisanang and GrowYourBiz Initiatives. In 2018, data was collected in: Tembisa (Gauteng) for two separate programmes; Phokeng (North West); and Kwa-Guqa (Mpumalanga). In 2019, data was collected in: Seshego (Limpopo); Motherwell (Eastern Cape); Mitchells Plain (Western Cape); and Umlazi (KwaZulu-Natal).

DATA COLLECTION AND ANALYSIS

Data was collected by GIBS EDA staff members. A questionnaire was developed and piloted, and adaptions were made to survey questions where appropriate. Respondents were invited to complete the questionnaires themselves immediately before and after the interventions. Completed questionnaires were captured, cleaned and checked by GIBS EDA staff. A full set of descriptive statistics was prepared by GIBS analysts. This data and analysis form the basis of this report. The focus group interviews were audio-recorded and transcribed, and the transcripts were analysed using Atlas.ti.

ETHICAL CONSIDERATIONS

The respondents were protected from harm throughout the research process by adhering to the principles of good ethical conduct as defined by the GIBS Ethics Committee. Firstly, as part of the questionnaire, the study purpose and how the information was to be used were explained to the participants. As no names were requested, confidentiality was maintained. The principle of voluntary participation based on informed consent was applied in the case of each questionnaire completed. No incentives were offered for participation in the survey. Secondly, for the qualitative focus groups, voluntary participation was requested during the intervention itself. The qualitative focus groups were conducted immediately following the final session of the intervention. Focus group moderators explained the study purpose and how the information was to be used to participants. The principle of voluntary participation based on informed consent was applied in the case of each participant. The data is reported anonymously. No incentives were offered for participation in the focus groups.

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