



UNIVERSITY *of the*
WESTERN CAPE

**AN ASSESSMENT OF THE BUSINESS PLAN SUPPORT OFFERED
BY SEDA TO ITS BUSINESS CLIENTS IN THE WESTERN CAPE**

by

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A research project

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Business plan

Evaluation

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Collateral

Business support

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Entrepreneur



ABSTRACT

The Small Enterprise Development Agency (SEDA) is an organisation that gives various types of business support to small and medium enterprises (SMEs) in order to foster their growth. It is widely believed that there can be failure in the performance of SMEs that is partly due to limited provision of business support. This study aims to assess the work of SEDA, in particular the 'business plan' support it provides to SMEs. This will assist in establishing factors that hinder, or promote, the growth and success of SMEs.

The main objectives of this study were firstly, to assess the perceptions of SEDA's business clients with regards to the business plan intervention. Secondly, to assess the effectiveness of the SEDA's business plan intervention, and lastly to identify and recommend other interventions that its clients suggest, that can improve the services it provides to business owners.

A review of literature highlighted the continued difficulty that SMEs in South Africa face in accessing finance, and the vital role that support institutions like SEDA can play to not only alleviate the problem, but also strengthen the owners business and entrepreneurial skills. A qualitative case study design was used in this study. Two data collection methods, document analysis and in-depth interviews, were employed. A thematic data analysis was conducted to assess the business plan support activities provided by SEDA.

The findings of the study show that, firstly, access to finance remains a challenge for most SMEs. Secondly, the lack of business skills is a key limitation to success among SEDA's clients and thirdly, the study revealed a communication gap between SEDA and its business clients.

The study recommends that SEDA should bridge the communication gap in order to improve the impact of the vital services it offers to existing, and potential clients. The Results of the study may apply, generally, to the development of SMEs in South Africa.

DECLARATION

I, the undersigned, hereby declare that *An assessment of the business plan support offered by SEDA to its business clients in the Western Cape* is my own work, that it has not been submitted for a degree or examination in any other university, and that all the sources I have used, or quoted, have been indicated and acknowledged.

Full name: SOPHIE KAMALA

Date: DECEMBER 2009

Signed:



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TABLE OF CONTENTS

KEYWORDS	ii
ABSTRACT	iii
DECLARATION	iv
ACKNOWLEDGEMENTS	v
TABLE OF CONTENTS	vi
CHAPTER 1	1
1 INTRODUCTION AND BACKGROUND	1
1.1 Definitions of concepts	2
1.1.1 Entrepreneurship	2
1.1.2 Small and medium enterprises	2
1.1.3 Business plan	2
1.1.4 Intervention strategies	3
1.1.5 Business clients	3
1.1.6 Collateral	3
1.2 Rationale of the study	3
1.3 Problem statement	4
1.4 Research questions	4
1.5 Aims and objectives of the study	4
1.6 Outline of the research project	5
CHAPTER 2	6
2 LITERATURE REVIEW	6
2.1 Introduction	6
2.2 Small Enterprise Development Agency (SEDA)	6
2.3 Importance of SMEs	9
2.4 Problems faced by SMEs	11
2.5 Success of a business	12
2.6 SME support	13
2.6.1 SME support strategies	15
2.6.2 Forms of SME support	15

2.6.3	Business advisors	16
2.6.4	Role of SME support agencies.....	19
2.6.5	The role of government in SME development.....	20
2.7	Finance.....	21
2.7.1	Importance of finance	21
2.7.2	Access to finance for South African SMEs	23
2.8	Conclusion	24
CHAPTER 3		25
3	RESEARCH METHODOLOGY.....	25
3.1	Introduction.....	25
3.1.1	Research paradigm.....	25
3.1.2	Case study design.....	26
3.1.3	Rationale for using a case study design	27
3.2	The research process.....	27
3.2.1	Data collection method	28
3.2.2	Research setting	28
3.2.3	Sampling	29
3.2.4	Document review	29
3.2.5	In-depth interviews	30
3.3	Data analysis	30
3.3.1	Research quality.....	31
3.4	Ethical considerations	31
3.5	Limitations	31
3.6	Conclusion	32
CHAPTER 4		33
4	DATA PRESENTATION, DISCUSSION AND ANALYSIS.....	33
4.1	Introduction.....	33
4.2	Education and business training.....	33
4.3	Finance.....	36
4.4	Follow-up.....	42
4.5	Communication gap.....	45

4.6	Conclusion	50
CHAPTER 5		51
5	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	51
5.1	SUMMARY.....	51
5.1.1	What are the perceptions of business owners with regards to SEDA's business plan intervention?.....	52
5.1.2	How effective is SEDA's business plan interventions in increasing SMEs' access to finance?.....	52
5.1.3	What are the critical success and failure factors of SEDA's business plan intervention on SMEs?.....	53
5.2	Recommendations.....	53
5.2.1	Development of relevant business plans.....	53
5.2.2	Review of loan and administrative requirements.....	54
5.2.3	Emphasise SEDA's role in its support.....	55
5.2.4	Develop an effective follow-up system	56
5.2.5	Business incubation	56
5.3	Conclusion	57
REFERENCES		58
APPENDICES		68
APPENDIX 1: SEDA's financial institutions		68
APPENDIX 2: Consent form.....		70
APPENDIX 3: Interview guide 1		71
APPENDIX 4: Interview guide 2		72
APPENDIX 5: Assessment form.....		73
APPENDIX 6: Transcripts.....		75

LIST OF TABLES

Table 1: Forms of business support.	16
Table 2: Public and private business advisors.	18

ACRONYMS

BRAIN	Business Referral and information Network
COMENSA	Coaches and Mentors South Africa
DTI	Department of Trade and Industry
GAUMAC	Gauteng Manufacturing Advisory Centre
GEM	South African Global Entrepreneurship Monitor
GEP	Gauteng Enterprise Propeller
GSP	Gross State Product
IDC	Industrial Development Corporation
IESC	International Executive Service Corps
IMCSA	Institute of Management Consultants of South Africa
MRC	Management Research Committee
NGOs	Non-governmental organisations
R1	Respondent One
R2	Respondent Two
R3	Respondent Three
R4	Respondent Four
SBF	School of Business and Finance
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SMEs	Small and medium enterprises
SMME	Small, medium and micro enterprises
USAID	United States Agency for International Development
UYF	Umsobomvu Youth Fund

CHAPTER 1

1 INTRODUCTION AND BACKGROUND

There are as many professional and private business consultants available to SMEs in South Africa as there are government SME support agencies. Some of these are the Small Enterprise Development Agency (SEDA), the Gauteng Manufacturing Advisory Centre (GAUMAC), the Sector Education and Training Authorities (SETA's), Khula, Industrial Development Corporation (IDC), the Gauteng Enterprise Propeller (GEP), the Business Referral and Information Network (BRAIN) and the Western Cape Government (Ferreira, 2007:103-109). This study particularly focuses on SEDA with specific interest being the identification of the successes and failures of SEDA's 'business plan' intervention which it provides to its SME clients, and how effective this intervention is. The study took into consideration some of government policies that have been developed to help support SMEs in South Africa.

The unemployment rate in South Africa has steadily increased as many companies are either downsizing, or closing down altogether. In recent times, there have been job losses in the textile, clothing and mining sectors to name a few. In response to this situation, the South African government has undertaken to create an enabling environment that supports the creation and development of more business ventures (Nieman, 2001:445). The move by the government is envisaged to help in the creation of jobs that would be available to those who have lost, or are on the verge of losing their jobs. However, there is limited support offered to small and medium enterprises (SMEs) that would help in the creation of jobs, or the development of new business ventures. SMEs are also referred to as Small, Medium and Micro-enterprises (SMMEs).

1.1 Definitions of concepts

1.1.1 Entrepreneurship

Timmons and Spinelli (2004) defined entrepreneurship as “... a way of thinking, reasoning and acting that is opportunity based, holistic in approach, and leadership balanced”. Furthermore, such an opportunity should be attractive, durable and timely.

This definition implies that entrepreneurs use this opportunity to satisfy the needs of their customers, and the business idea should continue to be innovative and attractive in the eyes of the customer. Entrepreneurs should ensure that the opportunity is ventured into at the opportune time.

1.1.2 Small and medium enterprises

Researchers often use the terms ‘small and medium enterprises’ (SMEs) and ‘small businesses’ interchangeably and these will be used as such in this study. It appears that there is no consensus about the definition of SMEs amongst researchers (Schaper and Volery, 2004; Reinecke and White, 2004). However, this study adopts the definition offered by the National Small Business Act (1996), which describes SMEs as:

- Micro-enterprises: 0-5 employees
- Very small enterprises: 6-10 employees
- Small enterprises: 11-50 employees
- Medium sized-enterprises: 51-99 employees

1.1.3 Business plan

Barrow, Barrow and Brown (2001) defined a business plan as the “ticket of admission” that gives an entrepreneur his/her first and only chance to impress the prospective sources of finance with the quality of the details in the proposal. Most potential funders require a business plan as a minimum document before they can decide whether or not to fund the enterprise.

1.1.4 Intervention strategies

Intervention strategies refer to the service provider, the type of assistance provided and the way in which the service is provided. The main assistance providers that are considered in this study are the government, consultants, and financial institutions. The assistance provided ranges from credit/finance, information, education, and training to help in setting up the business.

1.1.4.1 Business intervention

A business intervention is defined as interference in the small business that affects the interests of both the small businesses and the business adviser (Pleva, 2006:8). Leonard, (2004:32) stipulated that for an intervention to be successful, the business owners should first have the ambition to want to improve their business performance and, secondly, they should identify a particular area of weakness in their business that can be improved through the intervention of an expert business adviser. In this study, the term “business intervention” will be used interchangeably with the term “business assistance”. This is because most authors use the two terms to mean the support given to SMEs in terms of consulting, training, and professional advice.

1.1.5 Business clients

A business client in this study refers to an SME owner that seeks help from SEDA.

1.1.6 Collateral

The term “collateral” implies assets that have been pledged by a recipient in order to receive a business loan. Collateral can also be in terms of both business and personal assets such as a house or car (Murray, 2009).

1.2 Rationale of the study

In spite of the support that SME-support institutions offer to small businesses in South Africa, there is still a high failure rate in the performance of most SMEs (Martin, 2008). Brink, Ligthelm, and Cant (2003:1) estimated a 70-80% failure rate of SMEs in South Africa, which is extremely high. This study therefore attempts to assess one such

programme of intervention by SME support institutions (SEDA). The study also attempts to identify the critical success and failure factors with the aim of giving recommendations that can help the SEDA business plan intervention activities be more successful. Furthermore, elucidating the perceptions and experiences of business owners who have received the support from SEDA can also be used as a measure for assessing SEDA's business plan intervention strategies. Consequently, SEDA can improve their business plan support, which can eventually improve the ability of SME owners to gain access to finance for their businesses.

1.3 Problem statement

The South African Global Entrepreneurship Monitor (GEM) reports that business failures continue to increase despite the government's efforts in developing initiatives to support small businesses (Herrington, Maas, Boshoff, Van Vuuren, Musengo and Maas, 2006). One of the major problems that SMEs face is the lack of access to finance to promote their business ideas. The government-designed support institutions are not always successful in facilitating SMEs to access finance. However, in cases where the support institutions are successful, they should highlight and commended. SEDA is trying to increase SMEs access to finance by providing business plans that can assist in their application for funding.

1.4 Research questions

This study attempts to answer the following research questions:

- i. What are the perceptions of business owners with regards to SEDA's business plan intervention?
- ii. How effective is SEDA's business plan interventions in increasing SMEs' access to finance?
- iii. What are the critical success and failure factors of SEDA's business plan intervention on SMEs?

1.5 Aims and objectives of the study

The main aim of this study is to evaluate SEDA's business plan intervention on SMEs run by its business clients, but more specifically to:

- i. Assess the perceptions of SME clients with regards to the business plan intervention;
- ii. Assess the effectiveness of the business plan intervention; and,
- iii. Identify and recommend other types of interventions that SEDA's clients perceive as beneficial.

1.6 Outline of the research project

To achieve the stated objectives, this research project is organized into the following chapters:

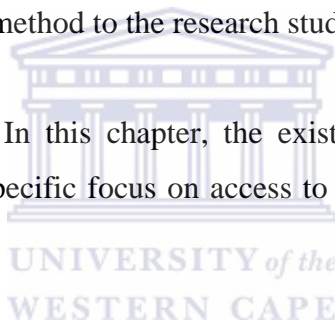
Chapter 1. Introduction and background: This chapter introduces the current study by providing the motivation and aims of the research. Research questions and objectives are elaborated and presented into full detail. In addition, the significance of the research study, the research design and method to the research study are discussed.

Chapter 2. Literature review: In this chapter, the existing literature on SME support institutions is reviewed with specific focus on access to finance for small business start-ups.

Chapter 3. Research methodology: This chapter presents the method of the study in terms of the research methods, research design and the data collection techniques, as well as the data collection process.

Chapter 4. Data presentation, discussion and analysis: Findings obtained from the data collected are presented. The findings are analysed and comparisons are made with the major theories discussed in Chapter 2.

Chapter 5. Conclusions and recommendations. The research is summarised with respect to the main theories in the literature. Conclusions are drawn from the study with recommendations that are based on the findings of the study.



CHAPTER 2

2 LITERATURE REVIEW

2.1 Introduction

There is a wide range of literature that studies the management of business promotion agencies world wide. The difficulties in promoting and developing small business enterprise are all universal. There are common themes in the literature that apply generally, and are therefore relevant to the South African situation. South Africa's emerging and development agencies share common features and common problems in the field of such promotion.

Nonetheless, an examination of the literature and the inherent difficulties in such work may enable the understanding of the specific requirements for advancement in the field. The aim in this study is to identify the difficulties that apply to South Africa's needs for ongoing improvement and development of this sector of the economy.

The literature is examined in the light of the following subheadings: SEDA, importance of SMEs, problems faced by SMEs, business success, SME support, and finance.

2.2 Small Enterprise Development Agency (SEDA)

The 2007 SEDA Annual Report states that SEDA's role is to provide support and development to small and medium enterprises in South Africa. About 80% of SEDA's focus is on small and micro enterprises while 20% is on medium enterprises (*SEDA*, 2007). The report also highlights the following as SEDA's main interventions:

- Providing training and support in collaboration with the relevant support institutions to business owners in order to enhance their business skills
- Collaborating with financial institutions in conducting workshops on funding opportunities for its business clients.

SEDA also offers information and advice on business planning and development to its clients. In particular, it helps with company registrations, access to technology, business incubation and access to markets. SEDA's work is achieved through a network with other institutions that also support small businesses (Lupuwana, 2009). Small business owners are helped to start, build and grow their own businesses so that they can help to increase their market share. Furthermore, SEDA focuses on the basic needs of business owners, especially in the challenging start-up phase.

Continuous improvement and/or adjustment of business plans can help ensure that business owners adapt to the changing needs of their customers. Consequently, the business owners can serve their customers better and become more competitive. As (Lupuwana, 2009:81) stated, "Entrepreneurs need to develop solid business plans, which should be adjusted as the environment and circumstances change".

SEDA's consultants help business owners to identify their opportunities in terms of the funding and skills required, and how to access such information (Lupuwana, 2009). SEDA advises possible clients to use them as the starting point of any potential business venture. Lupuwana (2009:81) stated that:

every entrepreneur who walks through SEDA's doors will be assisted in some way. Even when we cannot directly provide a service, entrepreneurs will be referred to a suitable course or partner.

The author also advocated for the need to move from 'necessity' entrepreneurs, who usually start businesses for survival, into 'opportunity' entrepreneurs who can address the gap in the market. This vision of SEDA is great on paper, but may not be a reality, hence the need to assess how successful the agency is on the ground.

The 2005 Annual Report gave the use of personal savings or loans from family and friends as the commonest form of funding that prospective business owners have access to in real terms (SEDA, 2005). The SEDA 2006 Annual Report is also consistent with the previous year's findings. The main challenge found in the SEDA 2006 study on SMEs in

the tourism sector was the lack of access to finance. Finance remains a general challenge for most South African SMEs seeking to start businesses (SEDA, 2006).

Financial challenges arise from high interest rates, lack of collateral, complicated application processes and the general lack of information about the requirements for finance (Clarke, Kaplan, Ramachandran, 2006; World Bank, 2006b). Clarke *et al.* (2006) also reported that most of the government's support does not always reach SMEs that are in need of such support. This is because the support is unevenly spread especially for those SMEs in previously disadvantaged communities. SEDA's establishment was aimed at addressing some of these problems, as well as ensure the access to finance for small business star-ups.

However, SEDA has been accused of poor internal controls to facilitate it in meeting its mandate. In a recent interview in the *Sunday Times* newspaper, SEDA's chief executive officer (CEO) was quoted acknowledging the critics: "SEDA's main objective is to promote small business development in South Africa, but it has been in the firing line due to bad management and poor internal systems" (Pelser, 2009:7). Pelser (2009) also noted that SEDA seemed to have realized its shortcomings and was now ready to hold a debate with all its stakeholders and entrepreneurs so that it can organise and better implement its mandate. SEDA has promised to re-evaluate its services and products to ensure it meets the needs of its business clients (Pelser, 2009).

SEDA's CEO has attributed the failures of the past to the existence of many agencies (Pelser, 2009). In addition, SEDA's past failures were compounded by budget constraints since its funding was only covered for the first six months of the financial year (Lupuwana, 2009; Pelser, 2009).

Such poor performance is one of the principal reasons why a small number of people who approach SEDA got access to their services. Lupuwana (2009) has highlighted that "SEDA's 2006/2007 Annual Report points to an often contradictory picture of the nearly 200,000 people who approached the agency, 14,373 were eventually able to access

services such as business planning, co-operative support, or advice and support on accessing markets” (SEDA, 2007:15). This study will highlight some of the issues that hinder SEDA’s successful delivery of its support services.

2.3 Importance of SMEs

The UWC training manual for business counseling for the emerging and survivalist sector (UWC, 2002) points out to that, small businesses provide variety to an economy in which they operate. Most products or services provided by large organisations can also be provided by small businesses. However, small businesses have the advantage of being much closer to their customers base (UWC, 2002). Furthermore, small businesses usually provide services or products which are needed in the local market. They serve as good models for prospective business people which aids in creating an entrepreneurial culture. Because of the nature of small businesses, they are quick to adapt and change to meet their customers’ needs and therefore have a competitive advantage over large firms. In addition, the adaptability of small businesses is influenced by the fact that usually there are fewer people involved in running the business. Small businesses are often single-trader business ventures, needing less specialist expertise or imported skills to operate.

Bruce, Deskins, Hill and Rork (2007) found similarities that small businesses have a greater impact on gross state product (GSP) than larger businesses in their study of SMEs. Many authors have also reported the importance of SMEs and their positive economic impact. The authors further stress the importance of business training as SMEs are the main engine drivers to a country’s economic growth (Bernier, 2005; Lewis, Massey Ashby, Coetzer and Harris, 2007; Pansiri and Temtime, 2008).

A study of business incubation and SME development for new enterprises in Armenia, Croatia, Georgia, Hungary, Poland, Republic of Moldova, Republic of Serbia, Romania, Slovakia, Slovenia, Republic of Macedonia, Turkey and Ukraine found that the transition and developing countries all had initiatives that were aimed at promoting business incubation (Szabo, 2006). However, the operating criteria differed in each country and

business incubation in these countries was not fully developed to support the creation of new enterprises effectively.

The same study (Szabo, 2006) also found that in the European Union (EU) entrepreneurship is promoted in order to enhance the competitiveness of small businesses and to reduce unemployment in Europe. The European Business Innovation Network has a network of some 120 Business Centres throughout the EU. The majority of these business centres provide business incubation for small business start-ups.

Szabo (2006) suggested some strategic level, institutional level and enterprise level requirements to assist in the development of business incubation and enterprise development. These suggestions are as follows:

- Governments' commitment and policy in entrepreneurship which would facilitate access to SME development through enabling a favourable business environment in which to conduct business.
- Strengthening the infrastructures of SME support institutions which can provide more effective services in the line of general business information, development of business plans, business registration and access to finance.
- Providing entrepreneurial and managerial skills, establishing business incubators and information centres.

The above requirements are consistent with other authors that state the importance of the promotion of SMEs (Pansiri and Temtime, 2008; Lewis, *et al.*, 2007; Reinecke and White, 2004; Rox, 2002).

In South Africa, Mantle, Harrod and Nel (1992) presented a profile of small businesses and ways of stimulating the sector. The authors stated some advantages of SMEs in alleviating the problems of economic growth, wealth distributions and unemployment as:

- SMEs can employ more people than other sectors thereby, creating more employment opportunities
- SMEs can encourage more competition in the market

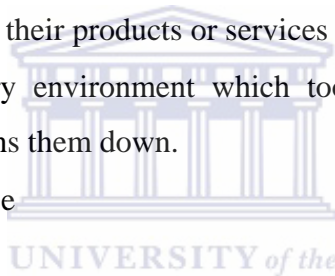
- In some cases, small businesses require fewer skills and also play an important role in innovation.

In spite of these advantages, SMEs face challenges like any other business environment.

2.4 Problems faced by SMEs

The fact that many SMEs in South Africa are not as successful as hoped for, points to a number of problems. The following are the most common problems faced by small businesses, as identified by Szabo (2006).

- As already stated, start-up is usually a challenge for small businesses because they have no capital to start and grow their businesses.
- Lack of skills and training that can help small business owners manage to compete with larger firms.
- Poor or low demand for their products or services (poor business choice/planning)
- Unfavourable regulatory environment which too often limits opportunities to SME owners and/or turns them down.
- Lack of access to finance



The GEM report (2006) outlines a number of obstacles that affect entrepreneurs in South Africa. There appears to be a lack of an entrepreneurial culture, because such a culture is not encouraged in schools. Entrepreneurship is not promoted as a career path because emphasis continues to lean towards seeking employment rather than creating jobs. Furthermore, there is lack of skills needed for entrepreneurs to start ones-own business. Most people lack the necessary schooling and tertiary education, entrepreneurial skills, business experience, as well as general knowledge (Maas and Herrington, 2006). Entrepreneurial support seems to be deficient and difficult to access since the government and the private sector agencies have high administrative bureaucracies that are frustrating. However, the most crucial obstacle is the limited financial assistance that is available to SMEs (Maas and Herrington, 2006:18-19).

Furthermore, the GEM Report (2006) also identifies some factors that contribute to the success of entrepreneurial activities in South Africa. It was observed that

entrepreneurship has become one of government's main foci since it aims to increase the number of SMEs that should aid in the creation of employment, which would in turn contribute towards the economic development of the country. The government has introduced favourable regulatory measures in support of SMEs, such as lowering tax and developing central organisations such as SEDA that offer support to small businesses. Encouragement of entrepreneurial education in schools has been developed across the country partly through giving more examples of entrepreneurs as role models to encourage people, especially the youth, to venture into starting their own businesses. The GEM Report (2006) also points to another factor that is positively contributing to the entrepreneurial activity in South Africa, namely the high unemployment and retrenchment rates that drive people into starting their own businesses.

Lack of access to finance is one of the major obstacles to the growth of small businesses in South Africa (USAID, 2009). SMEs in South Africa are caught in the 'missing middle' where the finance that they require is too large for the small lending institutions, but too small for the banks. In addition, the lack of business skills and education limits the development of sound business plans with realistic financial statements. Consequently, financial institutions face the problem of ill-prepared business clients in the processing of their loan applications. These obstacles are supported in the literature by Friedrich and Visser (2005) and Falkena, *et al.*, (2001) that also identified the lack of education and business skills as factors that hinder the promotion of entrepreneurship.

2.5 Success of a business

Many studies have identified factors that promote successful businesses. However, there are varied views about the indicators that point to success. Ferreira (2007) argued that the varied views depend on the different reasons why a business venture is started, and also the ideas and goals behind the business. Egelhoff (2006) suggested that money is probably the most common measure of success, and gives the example of Bill Gates (the owner of Microsoft) as an example of monetary success. However, Cornwall (2006:1) argued that money is not the main reason behind the success of a business and instead, suggested that entrepreneurs can evaluate the success of a business in terms of the

number of jobs that have been created, customer satisfaction, self-satisfaction and self-fulfillment. Furthermore, Cornwall (2006), Reijonen and Kompula, (2007), and Rodriguez (2006:1) also gave more examples of how the success of a business can be viewed, in terms of achieving independence and control, power and acclaim for wealth, friendship and the escape from failure. Nevertheless, money is viewed by most entrepreneurs as the likely result of pursuing a viable business and therefore still remains a fundamental indicator of the success of a business (Cornwall, 2006).

Another school of thought suggests that a business is successful if it has managed to start up and become established and running - what Driver, Wood, Segal and Harrington (2001:11) call 'new firms'. Businesses at the start-up phase are often not able to pay wages, while those in the 'new firms' phase are able to pay rent and wages for at least three months, but less than three and a half years onwards.

Ferreira (2007) defines a successful entrepreneur as one who creates work for himself and others, and who at least has been in a profitable business for one year. Nieuwenhuizen and Groenwald (2006:70) also defines a successful SME as one that has been in profit for the three consecutive years and is still in business after four years.

This study adopts the definition of a successful business by Driver, *et al.* (2001) because the definition sees the first three months of starting a business to be crucial in building or breaking the business. A business which has been in operation and able to pay wages for at least three months from the start can be deemed successful.

2.6 SME support

It is useful to evaluate the support that small businesses receive so as to trace factors that lead to their success or failure. As stated earlier, the support agencies are designed to provide support to SMEs, yet there is lack of awareness amongst SME owners of the SME support programmes available in South Africa since the 1990s. South Africa's apartheid economy did not promote SMEs, least of all in rural disadvantaged communities (Ferreira, 2007).

Cassar (2004) explained that potential SME owners often do not know what a business plan is, or are not well-informed of what needs to be in a business plan in order to apply for funding. Therefore, most SME owners fail to get access to funding because of not meeting the minimum requirements of the banks or lending institutions. Similar findings in Berger and Udell (2006) and Scholtens (1999) show that start-ups (due to difficulties of obtaining finance) mostly rely on insider financing for their businesses. This is consistent with the findings of Van Wyk (2003) that SMEs fail to get funding because of not having sufficient collateral.

There are several solutions to the problem of access to finance. Van Wyk (2003) suggested that banks and the government should take interest in the provision of collateral and the financial institutions. Furthermore, Madell and Adam (2008), while assessing SMEs in USA, suggested making use of retired business people to help with provision of managerial and technical advice to small start-up firms. Madell and Adam (2008) have created forums which can help in linking the potential business owners and the potential service providers. These forums include on-site assistance, help to source funds and encouragement of an entrepreneurial approach in their service delivery.

The provision of finance to SMEs is limited by the business owners' lack of awareness of the existence of guarantee schemes. This lack of awareness has led to Khula (a financial institution in South Africa) initiating a communication campaign that mostly targets the banks (Berry, *et al.*, 2002). Most SME that want to start a business are perceived as high risk clients by the lending institutions because they lack an adequate asset base to secure a loan. However, lending institutions have failed to establish communication with the SMEs especially, those operating in the rural areas where SME lending institutions appear to be lacking (Berry, *et al.*, 2002).

2.6.1 SME support strategies

There are two kinds of intervention strategies, i.e. owner-driven and consultant-driven. Owner-driven interventions are where the owner makes changes themselves. Consultant-driven interventions are where an outside consultant is engaged. The various intervention strategies to support SMEs by the government lean more toward subsidized interest rates, availing credit facilities through banks and other financial institutions, and lending direct credit (Hallberg, 1999:9). Other intervention strategies include focus on increasing SME access to other markets and diversification of SME range of products and services, in order to promote growth and competitiveness Hallberg (1999).

Howard and Hine (2000:4) conducted a study in the 1980s, and grouped interventions into four categories of assistance: financial, technical, training and social promotion. Business support or interventions need to first have a diagnostic evaluation before any assistance can be given, in order to determine the level at which the business is functioning. A diagnostic evaluation is important, because it helps to identify the appropriate training and support that can be given at each stage of the development of the business.

2.6.2 Forms of SME support

There are many private and public service providers that offer both financial and non-financial assistance to small businesses. However, most of such service providers are costly for entrepreneurs wishing to start a business, especially those who come from previously disadvantaged groups. It is helpful for the client seeking help and the service provider to spend as much time as possible together in order to make full use of the service (Hamilton and Smith, 1993:17). Hamilton and Smith (1993) explored the different types of advisory services; they suggested that consultants should be seen as mentors, rather than hands-on workers by their clients. Likewise, the service providers should follow up on their clients in order to keep their services up to standard; the follow-up can be by means of short visits or phone calls.

Table 1 below presents some ways in which the government, private sectors and business incubators can support small businesses (Reinecke and White, 2004).

Table 1: Forms of business support.

Government assistance	<ul style="list-style-type: none"> ▪ Business start-up assistance ▪ Business development and improvement ▪ Infrastructure support ▪ Tax concessions trade assistance
Private sector assistance	<ul style="list-style-type: none"> ▪ They provide assistance to firms which can be either monetary or information support
Business incubators	<ul style="list-style-type: none"> ▪ Access to convenient, reasonably priced tenancies ▪ In-house business services ▪ Business advisory services ▪ Business support

Table 1 is adopted from Schaper and Volery (2004:13). Each sector plays a major role in supporting SMEs at the different levels of their needs, be it at starting phase or growth phase of a business enterprise. Most importantly, all of them assist businesses in accessing finance in one way or another.

2.6.3 Business advisors

Small businesses struggle to operate. They are usually in need of information on a particular market sector or industry, where and how to access finance, how to recruit and maintain staff, how to do process improvements, how to advertise effectively, and more.

This is where business advisers can provide their services, most particularly in terms of assistance with access to finance and information. According to Schaper and Volery (2004), a business advisor is someone who works with a business client in order to help them in their specialised area of need. Therefore, business advisors can play a vital role to small businesses, especially in the access of information and finance. Such help is aimed at improving current performance levels.

Business advisors range from accountants, lawyers, management consultants, financial planners, publicly funded business agencies (e.g. SEDA), mentors, personal coaches, family friends and others. These business advisors use different advisory styles in dealing with the problems of their business clients (Schaper and Volery, 2004). There are a number of business advisers and SME support personnel that work with small business owners in order to help improve their business skills (Dyer and Ross, 2007). These include accountants, lawyers, bankers and business consultants.

However, many small business owners have a negative perception of the professional advisers, complaining that such advisers do not offer practical advice, do not offer value for money, or simply do not understand their business needs (Dyer and Ross, 2007:131). The authors further noted that business advisers sometimes impose on small business owners to adapt to their way of thinking which often results in a failed relationship.

Most business advisors tend to work in organisations that typically operate within a formal command and control of the internal environment (Maister, 1993). This translates into specific job descriptions, written rules and regulations that need to be followed. Such formality is needed to ensure control and project a good image of the services provided by the organisation (Maister, 1993). However, small businesses tend to operate in an informal environment and this can sometimes bring conflict between the advisors and the owners.

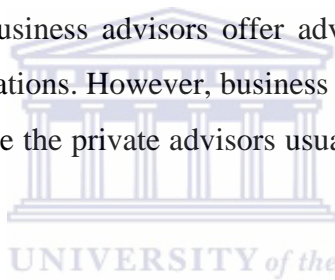
Jay and Schaper (2003) suggested that the age and size of a business may relate to the use of a business advisor. Problems at the start of the relationship are usually salient compared to the ones encountered at a later stage. Small business owners at the early stage may require a different set of skills from the adviser. Mature firms tend to have better relationships with their advisers as they are more experienced and self-confident in their business operations. However, Jay and Schaper (2003) concluded that the age and size of a business relate to the type and choice of a business advisor from which small business owners can seek help.

Table 2 presents some of the public and private business advisers available in South Africa.

Table 2: Public and private business advisors.

Public	Private
<ul style="list-style-type: none"> ▪ SEDA ▪ Gauteng Manufacturing Advisory Centre (GAUMAC) ▪ Khula Enterprise ▪ Sector Education and Training Authority (SETA) ▪ Gauteng Enterprise Propeller (GEP) ▪ Industrial Development Corporation (IDC) 	<ul style="list-style-type: none"> ▪ The Institute of Management Consultants of South Africa (IMCSA) ▪ International Executive Service Corps (IESC) ▪ Coaches and Mentors South Africa (COMENSA) ▪ Business Partners Limited

Both the public and private business advisors offer advice and counseling services in order to improve business operations. However, business clients can seek advice from the public advisors at no cost, while the private advisors usually offer such advisory services at a fee.



SEDA has specific service providers that it contracts with in helping business owners to access finance. Appendix 1 presents the list of SEDA’s financial institutions.

A business advisor can use the expert consultant advisory style which is mostly problem-focused and is employed by advisers skilled in specific problem areas (Schaper and Volery 2004). “Pair of hands” mode is another advisory style that advisors can be adopted. This advisory role is short-term assistance and involves bringing in a specialist in a particular field (such as an IT consultant) to solve a problem within a pre-specified time limit. A facilitator offers yet another advisory style which is client-focused and aims to encourage the client to engage in understanding and solving their business problems.

A client should examine a range of factors when seeking business assistance from the advisers in order to make informed decisions about business development (Schaper and Volery 2004). For example, they should examine the qualifications, networking ability,

services provided, price, conflict of interest, friendliness, experience and industry knowledge.

2.6.4 Role of SME support agencies

It is important to identify the role of SMEs so that clients can be provided with accurate information on which to base their expectations. The following are some of the basic roles for SME support institutions (Szabo, 2006).

- To provide intermediaries that can help facilitate access to finance for small business start-ups
- To provide business service at the lowest possible costs
- To provide an enabling environment for SMEs and help them work through any legislative and regulatory procedures
- Monitoring and evaluation of the effectiveness and efficiency of their support to SMEs.

There are two types of services that are provided by SME support agencies. The first type is the 'basic' service, i.e. introductory consultations or information and general advisory services (Szabo, 2006). Such a type of service is usually provided free of charge. SEDA, RED Door, and Umsobomvu Youth Fund are some of the examples of SME support institutions in South Africa that provide such basic services. The provision of such basic services is based on having close contact with entrepreneurs, having regular visits, personalized visits and partnering with local or national actors (Szabo, 2006).

The second type is the 'specialized' advisory service, also known as consultancy. This involves giving advice in a particular area such as marketing, human resources, and general management. Such specialized services are normally offered at a fee. Szabo (2006) suggested that small business start-ups should at least get one free consultation. The main goal behind business incubation is that small business start-ups should be equipped with all the relevant business skills, information and facilities that can aid them in starting their own businesses.

2.6.5 The role of government in SME development

Governments have realised the need to work with the private sector such as SMEs in the economy in order to diversify or increase opportunity for all and boost the economy (Reinecke and White, 2004). As Reinecke and White (2004) suggested, governments need to support SMEs by creating an enabling business environment that allows SMEs to thrive. Therefore, governments need to develop policies that favour small businesses. It is equally the government's role to remove policies that are biased against small businesses and develop policies that would enhance their ability to contribute to economic development.

In addition, governments can also offer financial support and business development services to SMEs. In the case of South Africa, such support is usually channeled through the government's own agencies such as SEDA. However, the government's effort in supporting SMEs has been limited because of the insufficient number of such support institutions. In particular, it is difficult to reach all small business in the country, especially those in the rural areas.

As stated earlier, finance is identified many authors as one of the major obstacles in the area of SMEs. Van Wyk (2003) attributes this challenge to the Usury Act of 1996 and the Bank Act of 1990 which had introduced an interest rate limitation to loans that ranged from R6,000 to R50,000. However, the government has since then amended the Bank Act of 1990 so that loans of R10,000 or less are now exempted from interest capping. Banks view business owners with no collateral as high risk and are reluctant, or refuse, to issue loans to such people. Therefore, banks should create enabling schemes for small business owners who do not have collateral, and also try to find ways in which to support the communities within which they operate in terms of financing their needs to start their own businesses (Van Wyk, 2003).

The South African government is trying to simplify the tax system in order to reduce the tax burden on small businesses through change of some legislative Acts to facilitate the development of SMEs. The Income Tax Act, Estate Duty Tax Act, Value-Added Tax Act

are some of the legislation amended in order to help create more favourable conditions for businesses. Other amendments include levying of taxes and the provision of basic infrastructure in both the rural and urban areas.

2.7 Finance

The subject of finance for SMEs is of great interest to most policy-makers because SMEs greatly contribute to job creation and economic growth (Carter, 2000; McClelland, Swail, Bell and Ibbotson 2005). There have been suggestions that small banks finance small businesses better (Beck and Demirguc-Kunt 2006; Berger, Kayshap and Scalise 1995; Berger and Udell 2006). This is because small banks offer softer lending terms to small businesses. On the other hand, large banks are not interested in financing small businesses because they generally perceive them as lacking adequate security or collateral (Beck, *et al.* 2009).

SME owners apply for different financing options based on the stage of their enterprise's lifecycle, because the enterprise has different needs at each stage (Falkena, Abedian, Von Blotnitz, Coovadia, Davel, Madungandaba, Masilela and Rees, 2001). The start-up phase mainly depends on the owners funding the business from their personal savings, or from their family and friends. However, when the business is well-established, and has a growth potential, the business can apply for a bank loan. This is because the lending institutions can make a meaningful, quantitative risk assessment of the business. The business can repay part of its debts to the financiers when it is stable (Falkena, *et al.*, 2001). However, small businesses lack sound advisers to guide them through the process of loan application.

2.7.1 Importance of finance

Start-up capital is essential in order to begin any business. However, access and management of finance is a challenge for small business start-ups. SEDA like any other support institutions [such as Business Link (*Business Link* 2009)], provide guidance to entrepreneurs to ensure that businesses get the help they need to start and grow.

The first step towards obtaining finance is the development of a solid business plan. SME service providers should therefore help in the creation of attractive business plans so that their clients can competitively access funding. Business Link advises small businesses about how much capital they need to start their business in order to aid in their development of business plans.

The promotion of SMEs in South Africa was a prominent issue in the 2006 and 2007 budget speeches since it made optimistic forecasts about support for SMEs. The Department of Trade and Industry (DTI) agencies received R1.7 billion that was meant for promoting industrial development, black economic empowerment, and the general development of SMEs (Manuel, 2007). Entrepreneurship has since remained an important factor in the growth of the South African economy.

However, despite the problem of lack of access to finance, small businesses also face other non-financial obstacles such as the lack of information and business skills (Jackson, 2004:1). In fact, Jackson (2004) noted that services intended to help small business start-ups are not well developed. Therefore, there is a need to address the other non-financial problems that small businesses face in order to assist their start and growth in the financial markets.

Pelham (1985:11), while studying SMEs in the USA, suggested that the problems that small business owners face at the start-up phase can be overcome if such owners are given practical tips that would help them the advertise and growth of their businesses. This can also be apply to SEDA's role, in the South African context. It is also importance for institutions like SEDA to work together with tertiary institutions since each can complement the others work. Pelham's (1985) findings are in line with Szabo's (2006) study on business incubation and development of new enterprise. Szabo (2006) explained the need to provide more support for business incubation that can better help the development of new business ventures especially at the start-up phases.

However, Falkena, *et al.* (2001) observed that the lack of information, lack of a supportive legal framework, and a regulatory bias in the allocation of credit should be major areas that the government and SME support institutions should work on improving. This can create a favourable business environment for small business start-ups. Start-ups and business owners from previously disadvantaged groups in South Africa tend to have limited the access to finance and banking services, because of their limited credit histories. This, according to Falkena, *et al.* (2001), indicates a greater need for the government and other SME support institutions to have a wider variety of SME support interventions which are more innovative in nature.

Falkena, *et al.* (2001) identified a number of areas in which SMEs can have a more positive impact with regards to access of finance. Firstly, the authors recommended the creation of a favourable environment that can help reduce bias in the allocation of credit. Secondly, they suggested the provision of better access to information to both the SME owner and the service provider. Improved access to information, for example, can include access to or disclosure of the costs of financial services in order to have a good basis of comparison between the different service providers.

Falkena, *et al.*, (2001) also identified some of the SME support frameworks in South Africa that were commissioned to promote and support SMEs. These are:

- White Paper on the promotion of small businesses 1995
- The National Small Business, Act 1996
- Khula Enterprise Finance
- Other initiatives, such as the development of SEDA

2.7.2 Access to finance for South African SMEs

Van Wyk (2003) evaluated the DTI institutions. The author found that their institutional and other regulatory policy frameworks made it more difficult for SME to access finance in South Africa. This difficulty was/is mainly due to the institutions lack of an effective and efficient emphasis on empowering and transferring skills to the previously disadvantaged groups. In addition, the majority of the previously disadvantaged groups

know very little, if anything at all, about the SME support initiatives. Few SMEs are able to network or gain access to these DTI support institutions. Therefore, there is no real enabling environment for the development and promotion of SMEs. Van Wyk (2003) also identified other factors that discourage new business owners to be actively involved in the market, i.e. the inadequate and cumbersome administration and lack of vision for these SME support institutions. Furthermore, the author noted that black-owned SMEs are still experiencing problems in accessing finance because they mainly lack collateral, and recommended that financial institutions (such as Khula) need to be reviewed in the context of meeting the current demands of SMEs.

The range of policies that affect the SME sector in South Africa is not confined to finance, taxation, labour and business trade. There are also property and land ownership, by-laws and regulations, procurement and the role of women and large issues of rural development (Van Wyk, 2003). It is government's role to help create an enabling environment by instituting appropriate legislation and policies with the aid of non-governmental organisations (NGOs) and other private sector organisations. The role of government is also to assist in terms facilitating of access to information and finance in particular.

2.8 Conclusion

In the review above, it has become evident that many of the findings in the literature referred to are as common to South Africa as elsewhere. The aim of the detailed study that follows is to draw on the direct experience of SEDA clients at 'the sharp end' of business enterprise, with the aim of identifying local specific needs and recommending the changes and developments which would best benefit both individual clients seeking support and advice in the immediate, as well as the South African economy in the longer term.

CHAPTER 3

3 RESEARCH METHODOLOGY

3.1 Introduction

The main aim of this study is to evaluate the perception of SEDA's client with regards to the business plan support that they receive. This chapter presents the qualitative methodology in which a case study design was used. An outline of the research process is presented, where several data collection methods were used. Individual in-depth interviews were conducted in order to determine the perception of the SEDA's clients. Furthermore, other interviews were conducted with SEDA and bank officials.

3.1.1 Research paradigm

A qualitative research paradigm, using a qualitative case study design was used in order to explore the subject in depth and to assist in the answering of the research questions. Qualitative methods refer to research procedures which produce descriptive data of people's own writing or spoken words and observable behaviour (Jarayatne and Steward, 1991). Scholars such as Bassey (1993:3) affirm the increased acceptance of using qualitative research as an acceptable *modus operandi*.

Qualitative methods are associated with more accurate and valid information about a respondent's experience. Van Maanen (1998) defined qualitative methods of study as an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with meaning rather than frequency of the data.

A qualitative approach in research is not only concerned in the numerical data that is used for statistical analysis. Neuman (2000:122) clarified that:

Qualitative researchers are more concerned about issues of the richness, texture and feeling of raw data because their inductive approach emphasises developing insight and generalisation out to the data collected.

This study adopted a qualitative approach because it is a good method of capturing people's perception on a particular subject under study. A qualitative case study design

uses multiple methods of data collection from multiple sources. In this study, data was collected through document reviews and in-depth interviews with service providers and recipients.

3.1.2 Case study design

A case study was adopted in this study because they are usually preferred when answering the 'how', 'what' and 'why' questions (Yin, 1988:23). Yin (1994:13) defines a case study as:

“an empirical study that investigates a contemporary phenomenon within its real-life context; when the boundaries between the phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.”

This definition shows the general intent of case study designs in trying to gain a more 'in-depth' understanding of a phenomenon in a 'real life' setting. Yin (1994:13) stated that a case study allows a researcher to single out on aspect of a problem that needs to be studied in more depth within a limited scale. There are many views on the types of case studies available. For example, Stake (1994:237) identified the main types of case studies as intrinsic, instrumental or collective. According to Stake (1994), an intrinsic case study is suitable when a researcher wants a better understanding of a particular case.

Babbie and Mouton (2003) present six types of case studies as shown in the bullets below;

- Individual case study
- Community studies
- Social group studies
- Studies of organizations and institutions
- Studies of events, roles and relationships
- Studies of countries and nations

This study focuses on a particular intervention of SEDA that is specifically concerned with the development business plans. Thus the unit of analysis

is SEDA's business plan support to SME owners. However, the study uses respondents from four business clients who received support from SEDA in order to assess the perception of the assistance that they received from SEDA in the development of a business plan.

This study can be categorised as an intrinsic study because the aim is the understanding of how business clients perceive SEDA's business plan intervention.

3.1.3 Rationale for using a case study design

A case study design was chosen in this study because the researcher wanted to obtain a more in-depth understanding of the perceptions of the business clients with regards to SEDA's help in the development of business plans. Ericksson and Kovalainen (2008:116) noted that:

One reason for the popularity of case study research is its ability to present complex and hard-to-grasp business issues in an accessible, vivid, personal and down-to-earth format. This often has a better appeal to business students, managers, political decision-makers, and business researchers than statistical and survey research

For this reason, the researcher in this study chose to meet the business clients in their business settings so that she could observe how they were managing their businesses. Adopting a case study approach also helped in bringing out more discussion from the interviews. A case study approach is appropriate in this study because it allows for a particular subject to be studied in more depth, within a limited period of time (Bell 1999).

3.2 The research process

Firstly, a desk-top study was conducted by reviewing official documents from SEDA, annual reports, information brochures, and articles from magazines and newspapers. Secondly, in-depth interviews were conducted in order to obtain the opinions of both the service providers and recipients regarding the subject under study. In all, four business owners, two of SEDA's business advisers and four bank officials from ABSA, FNB, Nedbank and Standard Bank were interviewed. In order to develop important questions that could help meet the research objectives, an interview guide was developed from the study's objectives.

3.2.1 Data collection method

The table in Appendix 3 was used as a guide in gathering of data. The table was also used to help in answering the research questions about how effective SEDA's business plan intervention is in terms of increasing SME access to finance. An interview guide was formulated using key questions that focused on meeting the objectives of the study.

3.2.2 Research setting

The study was carried out at SEDA's office in Bellville, in the Western Cape Province. The Bellville office was chosen because of its close proximity to the University of the Western Cape, and for easy access. Most of the other interviews were also within Bellville, except for one which was in Paarl.



3.2.3 Sampling

Purposive sampling was used to identify participants for this study. The researcher selected business clients who were geographically close. Convenience sampling allows a researcher to collect data that is available to save time, money and effort (Patton, 2002). A case study design was convenient in view of time and financial constraints. Four SME owners that have benefited from SEDAs business plan support in the past two years or more were purposefully selected. In addition, two advisers from SEDA were also purposefully selected to participate in the interviews. In a qualitative research, a representative sample does not matter, rather it is the depth and richness of the information gathered (that can be applied to other situations or organisations with similar objectives} that matters (Patton, 1987).

3.2.4 Document review

Bless and Higson-Smith (1995) articulated that document review involved the collection of data by use of public documents. The researcher, in this study, used archival records, institutional publications, personal documents, historical documents, published statistics and data published by the private sector. The process involved collecting official documents from SEDA and the participating SMEs, including annual reports, progress reports, newspapers, magazines. The documents were reviewed for common trends, as well as the successes of (or challenges faced by) SEDA and its business clients.

3.2.4.1 Advantages and disadvantages of document review

The advantage of document review is that most of the documents are readily available. For example, the information in the brochures can take a researcher a long time to gather, if one has to conduct interviews (Merriam, 1998). However, such documents are not intended for research purposes and therefore the presentation of the information can prove to be difficult for the researcher to understand. Furthermore, such documents may not present definitions of the concepts under study.

3.2.5 In-depth interviews

An in-depth interview is an open-ended method of obtaining information about a particular topic from a respondent. In-depth interviews are qualitative in nature because they try to capture the views, experiences and feelings of people regarding a particular phenomenon (Babbie, 2003). In-depth interviews are aimed at exploring, in more detail, the perceptions of a particular program or situation.

Six participants were interviewed. The interviews were tape-recorded and transcribed into verbatim (see appendix 6). The researcher also kept notes during the interviews for some respondents who were not comfortable being tape-recorded. The SME owners as well as SEDAs advisors were asked about their perceptions of SEDA's business plan support.

3.2.5.1 Advantages and disadvantages of in-depth interviews

The primary advantage of in-depth interviews is that they provide more detailed information on a particular topic within a shorter period of time than other data collection methods such as surveys (Cooper and Schindler, 2001). The environment in which interviews are conducted is often relaxed, and therefore gives the respondent a comfortable feeling that allows them to express themselves better. However, the limitations associated with in-depth interviews are that they are prone to bias. In particular, the responses from participants may be biased and ambiguous in nature (Babbie and Mouton, 2003). In-depth interviews can also be time-consuming because of the time it takes to transcribe and analyse the results.

3.3 Data analysis

Data analysis involved reading of the transcripts over and over again until the researcher discovered common patterns. The data was coded, and then grouped into major categories from which common themes were generated. The process of identifying the patterns and themes from the interviews helps to organise the data in a meaningful way (Babbie and Mouton, 2003).

3.3.1 Research quality

Triangulation of the data was achieved through the information gathered from SEDA's business advisors as well as the bank officials. The information received in this way can help to ascertain some common themes that emerge from interviews (Marshall and Rossman, 1994). For the purposes of this study, credibility was achieved through having member checks in order to help clarify the responses and reconstruct some ideas or even change others. Drafts of interviews were reviewed in the writing phase and the researcher engaged in consultation with the supervisors and others. The dependability of this study was achieved through interaction with other researchers at the University of the Western Cape. The researcher also asked different people to read and discuss the findings. This enabled the researcher to maintain focus on the objectives of the study.

3.4 Ethical considerations

Approval was sought from the School of Business and Finance (SBF) Research Committee before commencing the study. Key-informants were asked to participate through a consent form (see Appendix 2), which was addressed to each one of them. All participants were assured of their right to participate, decline or even withdraw from the study at any time, should they feel uncomfortable. The participants were assured of anonymity and confidentiality of their participation in the study through a confidentiality and consent form that they signed before taking part in the interview. The study also complied with the requirements set forth by SEDA about the data that was collected. All sources used or quoted have been indicated and acknowledged through complete references.

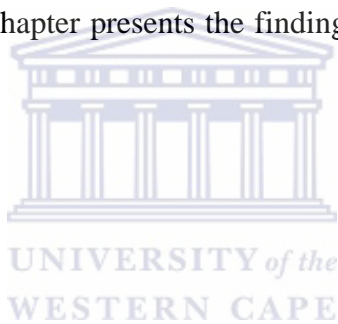
3.5 Limitations

Firstly, the study was conducted at SEDA, which is not representative of all the SME support institutions in South Africa. Therefore, the study does not claim to provide a national overview of all the SME support institutions in the country. Secondly, because of time and financial constraints, the researcher only evaluated one of SEDA's Provincial Offices in the Western Cape out of the eight in the country. Lastly, only four business owners that received business plan support from the Western Cape agreed to participate

in the study, and these were by no means a total representation of business owners that have received support from the Western Cape provincial office. In spite of these limitations, it is hoped that the results of this study will provide a point of reference from which to evaluate SEDA's business support intervention to SMEs to enable them access finance.

3.6 Conclusion

This chapter presented the methodology that was used to carry out the research. A qualitative case study design was employed in which in-depth interviews with key informants and document review were used to gather data. The chapter also outlined the advantages and disadvantages of in-depth and document review. Triangulation of the study was achieved through interviews with SEDA's service providers, as well as some bank officials. The following chapter presents the findings and discussion of the present study.



CHAPTER 4

4 DATA PRESENTATION, DISCUSSION AND ANALYSIS

4.1 Introduction

This chapter presents the data obtained from the interviews as well as an analysis thereof. The main findings are presented under the common themes that were generated during data analysis, and these are: 1) education and business training, 2.) finance and 3.) follow-up. The chapter presents the data obtained from interviews with four business owners and two service providers from SEDA, as well as interviews with the Umsobomvu Youth Fund and four bank officials from the four major banks in South Africa (i.e. Standard Bank, Nedbank, FNB and ABSA). The questions asked to the interviewees were to a degree dependent upon how they responded to the main questions prepared in the interview guide (see Appendices 3 and 4). The questions below formed the basis of the interviews.

- How did SEDA help you with the development of your business plan?
- Did you receive any funding?
- Who provided you with assistance?
- Have you had any follow up from SEDA or any other of the business consultants you have been in touch with?

The section below provides a closer look at the main themes that emanated from the data, and what the participants had to say about their experience and perceptions. For ethical reasons, the names of the businesses and respondents are not disclosed. The business owner participants are referred to as Respondent One (R1), Respondent Two (R2), Respondent Three (R3), and Respondents Four (R4)

4.2 Education and business training

All four respondents interviewed were females from previously disadvantaged groups. It is clear from their responses that their education background is limited. R1 and R2 got

some business training from SEDA. Despite this, they all had good business ideas. In the case of R2, her business idea materialized into a well established beauty salon.

R1 turned a garage into a hair dressing salon *that she runs in Delft*. She lives with her mother who runs a crèche in their family house. She is 28 years who did not complete writing her metric exams, she said:

I did a hair dressing course at the college of Cape Town where I got a National certificate. One day I got a call from SEDA, they said that I should come and attend a course so they can help me write a business plan. They said this will help to get money to start my own business.

As R1 states above, she attended a hair-dressing course with no particular plan to start her own business at that time. However, she only started to think about starting her own business when SEDA invited her and promised to offer her a business plan that would attract funding. When her expectation did not materialize, she became unhappy. Nevertheless, she still acknowledged that the training provided by SEDA is very beneficial:

R1: *When I was about to finish my hair dressing course, SEDA invited me to attend 7 months business course from August to March 2007. This is the best course I ever attended because I wanted to start my own business. SEDA asked us to go and do a market research for our business plans, which we did not know. When we asked about the market research, they gave us a guide which was not easy for me to follow.*

Although the idea of the course was to help clients develop a business plan, it appears that the guidelines given were not clear to enable them to develop a business plan by themselves. The guidelines were also not sufficient to develop basic business and entrepreneurial skills of the respondents. As a result, R1 did not succeed in writing a business plan, or establishing a successful business. Furthermore, she did not gain the ability to do a market research. It would seem that the basic business and entrepreneurial skills were not sufficiently honed by the training from SEDA's course. In addition, the clients were of the view that they would get a business plan developed and get funding from SEDA but that was not what SEDA gave them. This shows the difference between what SEDA provides and what its client's expectations are of its services.

Similarly, R2 stated that:

R2 worked at Dis-chem for 3 years as a beauty therapist. She then decided to enroll for a course at the College of Cape Town where she obtained her certificate in hair dressing.

It is at the end of the course at the College of Cape Town that I got a call from SEDA inviting me to attend a business course that they were offering for 7 months. I did not go to SEDA to seek for help; they called me to tell me about how they were going to help me start my own business. I would not even recommend anyone to seek help from SEDA because they do not deliver. I don't want to have anything to do with SEDA, I do not want to talk to them and I don't want any contact with them because they just wasted my time.

R1 and R2 said they were called by SEDA to attend a business course that would assist them in developing a business plan. R1 and R2 were both students at the College of Cape Town pursuing hair-dressing. It was upon completion of their course that they received the invitation from SEDA promising to help them to start their own businesses. The business training that they received from SEDA was intended to be an important step to help equip them with the necessary business knowledge and skills. R2 clearly expressed her frustration about SEDA in not delivering the services that they promised them, to the extent that she would not recommend anyone to seek help from SEDA. This frustration could be because of false expectations by the client, or indeed that SEDA does not have an effective way of helping its business clients. This is an important finding that has emerged from this study - that some of the respondents lacked the basic business training required for them to start their own businesses as pointed out in the quotation below:

R3 was a young couple that got to know about SEDA by word of mouth from a family member who attended a session with RED Door and talked about SEDA. R3 are a young retrenched couple who worked for Shoprite. They have combined accumulated work experience in baking and operations management. The couple does not have any formal training. The wife went up to grade 10 and attended a small baking and confectionery course at Shoprite Baking School, while the husband went up to grade 12.

When we went to SEDA in Bellville, they invited us to attend a two day seminar with them. We attended the seminar but it was mostly intended for existing businesses, the things they were talking of.... the stuff they were talking about was nothing that was interesting to us because they were talking about cars, things related to 2010..things that attract tourism Not for small business like us... they were talking in dollars with the K sign... I don't know what the K sign means. It wasn't actually for us that wanted to start a business. And their talk

was specific talks on tourism. It did not apply to us that time because we had no business.

The above quotation is consistent with the findings of Dyer and Ross (2007) who observed that business advisors sometimes do not give practical advice to their business clients. R3 had no idea of the 'K' sign that was in the talk. SEDA did not consider the education and background of R3, because the two-day seminar did not suit their needs. It appears that that the two day seminar was imposed on them. Pelham (1985), while studying the consulting needs and opinions of consultants, suggested that organisations such as SEDA need to work with tertiary institutions that can help in nurturing or giving practical advice. This suggestion is also echoed by Dyer and Ross (2007).

Lack of basic entrepreneurial and business skills appears to be one of the challenges of all the four respondents. The SEDA course may not have been substantial, or could have been pitched to a high level and thus make it seem complicated. SEDA invited the respondents to attend courses and seminars to try provide them the business skills needed to start their businesses. However, participants were not able to use the advice, or help from SEDA to establish new businesses, or the actual running of such businesses. It would seem that what clients need is not only a thorough grounding in basic business skills, but also mentorship. Participants came out of the course with unclear expectations regarding what help to hope for.

These findings are similar to those found in the literature (Szabo, 2006; Friedrich and Visser, 2005), that a lack of education and business training for these business owners is one of the problems that they encounter when starting small businesses. This revelation is also consistent with the findings of Maas and Herrington (2006) that highlighted the lack of education and business training of too many business owners, hence the high failure rate.

4.3 Finance

The provision of finance to SMEs remains lacking. In spite of SEDA's intervention, access to funding remains a challenge to most business owners. Two clients acquired

funding directly from SEDA, while the other two did not get any funding because their business plans were not approved by the banks. R1 and R2 obtained funding from SEDA as below:

R1: *When I completed the course SEDA gave me money to start my business. They gave me R10 000 as start-up capital. They also helped me with the registration of my business. I could not get enough money for a place to rent for my business. That money was not enough that is why I decided to use the money to renovate our garage and use for the salon. The money I am making is okay even though it is not much.*

R1 runs a hair salon in Delft at her mother's home. She turned the garage into a salon. Her mother runs a crèche in the house, while she runs the salon at the back. Her home is located somewhat further from their local shopping complex and consequently does not get as many customers as it would have. Similarly R2 received funding from SEDA:

R2: *I got R9 500 from SEDA to start my business. I just managed to pay rent for two months for this place, and that's all I did with the money. I struggled to get started in this business. I had to ask and borrow money from friends to buy a few things to start with. This is why I am so bitter with SEDA. They made me resign my job because of the business they promised me they would help...but nothing. If I knew at that time, I would have kept my job really. If it was not for my initiative to go and seek help from others, I do not know where I would have been now. You know who really helped me? It is Umsobomvu*

However, R3 and R4 were unsuccessful in acquiring funding, as indicated below:

R3: *We did not get any money from SEDA; we had good contact with the advisor. We decided to take the business plan to ABSA to apply for a loan. But we could not even start the loan application. We did not meet any of their requirements; I remember they asked us if we have a bank account with them. They said at least one needs to have a business account with them which we did not have. They also wanted the account to have been opened for six months with a balance of R10 000.*

Even though R3 did not get any funding from SEDA, their business consultant linked them to a brokerage service where they could purchase ingredients for their baking and pay back when they start their business as is stated below:

R3: *We used our retrenchment packages to buy a few things like equipment, we bought miniature cake mixer, fridge and a stove which we used for the business. The advisor linked us up with JJ Brokerage Service. He constructed a short term cash-flow plan that he used to negotiate with them. So they gave us a credit*

facility ... We used that that to buy our ingredients with Goose Bumps. We were supposed to be paying Goose bumps once we started selling our cakes.

However, R4 is an exceptional case from the other three respondents. She gained significant work experience and knowledge in industry that later prompted her to buying and owning her current business:

R4 went up to matric and started working. She has considerable business experience that inspired her to buy the current business that she is running. She manufactures doors, door frames and runs a carpentry workshop. She owns the business which has been running for the past 5 years, but has been in the trade for the past 12-13 years. She used to work for the company before she bought it. She has about 15 permanent employees but she also runs two or three, occasionally up to six, subcontracting teams at construction sites.

The business was already in full swing when I went for help from SEDA. I needed the business plan because I wanted to apply for funding to expand my factory. I did not get the funding. At that time that I applied, my turnover was low and the banks did not approve my application. I have not applied for any funding since then because I have been waiting for my business to do well. I hope I can go and apply once again now.

The challenge in accessing finance faced by SEDA's clients is consistent with the finding of Beck, *et al.*, (2009) who pointed to the reluctance of banks to give loans to small start-up businesses. The "reluctance of banks" could be that business clients do not fully understand the restraints and needs of banks in terms of their need for security. Banks are money-making institutions and would in most cases need some form of security before they can issue a loan. Voordeckers and Steijver (2006) concurred that banks often take collateral from lenders in order to reduce the risk of borrowing from the banks. This results in a phenomenon of 'discouraged' borrowers. Their findings suggest that firm and relationship characteristics are the main determinants of collateral for SMEs rather than the loan and lender characteristics. Voordeckers and Steijver (2006) state that firms with a longer relationship with bankers tend to incur lower incidences of collateral refusal and give the bank a strong trusting relationship and a sense of security.

The Small Business Administration suggests '3T's of a good banking relationship, which are talk, time and trust. The business owner needs to communicate regularly with the

bankers in order to develop a good relationship. The business owner is also advised not to expect immediate help from the bankers as it takes time to build a trusting relationship with the banks (SBA, 2009).

Finance for small start-up businesses remains a challenge, because in most circumstances banks only give loans to existing businesses.

When interviewed, participants from the banks did not give any standard criteria that they use in approving a loan application, because they claimed each business is unique and assessment is based on the nature of the business. Basically, all four banks pointed to the following requirements;

- the applicant must have a business account with the respective bank.
- bank statement for 6 months
- the turnover of each business
- credit record of the applicant
- collateral



This information shows how little, if any, consideration is given to loan applications for start-up businesses. When asked what options they have for start-up business applications, one of the respondents from the banks gave this response:

***Nedbank:** We refer such individuals to other small lending institutions that can give them start-up capital; if they run the business and are successful, they can then apply to the bank. But of course they would first need to have a business account with us.*

Bank procedures do not make it any easier for small start-up businesses to access loans. Most business owners do not even have money to open the basic business account that banks require. This is a major hindrance and one of major significance. Commercial banks are, after all, exactly that – commercial operations with a formal responsibility by law to shareholders to maximise profit. In terms of classical banking appraisal of, for example, a salon in a garage at home, the SME represents a 'risk' to a lending institution which outweighs the likely returns. Whether or not the clients who were interviewed have a false impressions or false expectations, and whether or not their business plans are

professionally prepared, this reality is inescapable. The question is really whether SEDA should be referring clients to finance sources that will, more often than not, view them in this light.

Contrary to the banks, the Umsobomvu Youth Fund (UYF) has a different criterion for approving loan applications. They have much more favourable conditions for helping small start-up businesses. The quote below is an indication of their basic requirements:

UYF: We first assess how well the client knows the business, and if we are not satisfied, we refer them to our business consultants that help the clients improve their business idea into a business plan, and then they can apply for funding with us. Sometimes we run workshops or courses to help the clients. If a business loan has been successful with us, we do not give funding directly to the clients, we ask the client to get quotations from suppliers and we pay the suppliers.

If the UYF approves an application for funding, it does not provide cash to the business owner. It asks them to obtain quotations for the materials and equipment that they might need for the business and it pays suppliers directly. There is absolutely no attention paid to help starting businesses by banks. SEDA claims not to be responsible for access to funding to the business owners as stated below:

SEDA We are not responsible to get finance to a client, we just give them a toolkit to use which can help them access finance. We help our clients develop a professional business through a service provider. A lot of people think that we are going to help them run their businesses - but there is a fine line between helping them develop a business plan and access funding to running their businesses, how much help is enough? People think it is an ongoing thing.

Though SEDA claims not to be responsible for getting finance for its clients, it is their duty to make sure that the business plan meets the requirements of the lending institutions. SEDA needs to know from the clients exactly what they need if they are to provide any meaningful support. There is no point for SEDA to be sending off clients with good business plans that they know would obviously get rejected by the lending institutions, the banks in this case. SEDA is spending a great deal of money to pay the service providers in the development of business plans, but most of these business plans are not successful, their clients become frustrated and it becomes a waste of money in the long run. It is suggested by Martin (2008) that SME support agencies, such as SEDA in

this case, must understand and know the environment in which their clients operate because such knowledge is needed for the development and growth of the venture which, in turn can enable the SME support institutions provide meaningful and relevant support.

SEDA states that it does not have the capacity to see through each business development and they have to deal with almost 2,230 new clients every year. Questioning SEDA on the two clients that obtained funding from SEDA (when their policy does not offer funding directly), SEDA said the two were exceptional cases, that they were given funding by one of their service providers to help the two students start-up their own businesses.

R1 and R2 received funding from SEDA of R9 500 each after completion of their business plans with assistance and guidance by the respective business consultants available to them. R1 stated that the money she received was not enough, as her mother helped her to finish setting up the salon in the garage. It is still not complete, but she is currently running the salon in it. On the other hand, R2 said she used the money to pay rent for two months at her present beauty salon. She says that is all she used the money for. It was not enough for her to buy equipment that she needed for her salon.

R3 did not receive any funding. Their business advisor just helped them to obtain start-up groceries and equipment from a local supplier on credit so that they could start baking and generate some cash-flow. They then heard about the Umsobomvu Youth Fund. They took an application form which they have not finished filling in, saying it is too complicated and do not know some of the items required on the form. They mentioned one section of the form requesting that they indicate the type of assets they have.

“We have no assets to indicate here, we just have a stove and a fridge”.

So they gave up on filing in the form, because they said that they did not seem to meet the conditions for the loan applications.

R4 said that her business was already in full swing when she went to seek help from SEDA. She needed the business plan as she wanted to apply for funding to expand her

factory. However, R4 did not get funding with that business plan. She said that at the time that she applied her turnover was low and the banks did not approve her application. Since then she has not applied for funding, she is holding on to her application while she waits for the business to pick up. R4 hopes to apply again soon.

Small business clients do not seem to know the general financial requirements of their financial service providers, including the banks. It appears that most of the clients seem to be ill-prepared when they are actually applying for funding. This proves similar to the findings in literature (Szabo, 2006), that clients are most of the time not well-prepared when applying for funding and this contributes to their difficulty in accessing finance. Such clients can still be helped with an effective follow-up system by the service provider.

4.4 Follow-up

All four clients seem to have had good contacts and communication with their business advisors in the initial stages of their business plan development. However, they all expressed disappointment in different ways about the lack of support from SEDA, as well as some of the business advisors after their business plans were completed. R1 says she gets occasional calls from SEDA:

***R1:** SEDA yes calls me once in a while to see how I am doing but nothing more. They have not come to see my place or give me ideas on how I could improve business from where I am struggling now. My business did very well when I just opened the salon, but these days it is quite, It only gets busy like over the weekends, then it is busy for me because I am alone here also. But also I am not located in a good place to attract customers because my salon and I can't afford to pay rent somewhere where I can have more customers.*

Similarly, R2 was bitter of SEDA's service:

***R2:** This consultant that SEDA gave me only visited me once, this was even before I had started this business he never came back to her. When I called to ask SEDA for him or if they could give me someone else they told me that Paarl was too far. Up till now I tell you, no one from SEDA has ever bothered to see or find out how I am doing or try to offer any help especially when I was trying to establish my business. That is why I am still bitter with SEDA because had it not been for her own initiative, I would have had no business and no job since I*

resigned from Dis-Chem with the hope of starting my own business. I believed that the business plan would work out as was on the paper, but no.

Even though R2 was also not happy with SEDA's follow-up on her business, It is possible that she could also have had a wrong perception of the role of SEDA. SEDA is indeed there to help and give advice to small business start-ups, but it appears from this interview that SEDA promised them the development of business plans and the actual setting up of the businesses. So she got frustrated when the course ended, because she was not helped in line with what she was being advised to do. In terms of accessing finance, business registration, and setting up the business, she was left to start doing everything by herself. She had to re-develop the business plan, apply for funding, look for a place, and buy equipment.

The follow-up system of SEDA, based on the above two quotations, leaves a lot to be desired by the two clients. However, SEDA does not seem to have the capacity in the first place to help the thousands of clients they face each year, nor are they able to have an effective follow up system later on. SEDA uses other service providers to assist its clients as stated in the quotation below:

***SEDA:** You see ... We do not have the capacity to see through to each business development we have to deal with almost 2230 new clients every year. We don't have the capacity to deal with one client fully ... that is why we have service providers that we refer them to once we have done a diagnostic assessment of the client.*

This type of follow-up by SEDA is not well-received by its clients. As SEDA states in the above quote they are not able to cope with the number of new applicants each year. R2 confirms this frustration below:

***R2:** SEDA keep starting new programs with new clients but does not follow up or help its old clients. The whole thing was a flop. When I called SEDA to complain, all I was told is that 'will try to do it better next time'. But that does not help me now ... they really frustrated me.*

Similarly, R3 expressed their disappointment in the follow-up by SEDA's consultant who disappeared when they were struggling to run their business:

***R3:** ... after the business advisor heard that we were struggling to pay Goos Bumps, (Name of a local supplier)he disappeared from us, he never visited us*

and later I think he changed his number because we never got hold of him again since that time.

Similar to other respondents above, R4 also stated that:

R4: *I have not heard from SEDA since then. But the service providers came and I am in contact with them. SEDA needs to be seriously involved in the development of SMEs. They are busy drawing up new programs, and most of them are irrelevant to the development of SMEs. My concern though is that, whether what SEDA is doing has assisted us or not, the fact is that someone is paying for those programs. Whose money it? Tax payers' money? Whatever the case, It was not spent to the best of its ability. I get passionate about these things because when you run a business every cent counts.*

However, R4 had a better follow-up with her business consultant that she still is in touch with to date. However, she said she was not too happy with SEDA's help in the sense that she was not given much choice onto the products she wanted to get from them. She had to take only what SEDA was offering which she says (in the quotation below) was of not much help:

R4: *The service providers that they give are very much involved in helping you develop the business plan and whatever you need help from them. The problem that I have is that to even start to implement or assist the business owner or the SMME, it is someone's money. I just feel that whoever in investing this money can better assist SMEs if they were to involve the development of these products. I took two products, but it's been absolutely no help to my business. Am grateful that I only paid 10%, but that's my money from my returns. They say that they are giving you the business plan, but I had to take whatever they had to offer.*

From all the four respondents interviewed, it appears that there is a serious problem in the way SEDA follows-up with its clients, As Dyer and Ross (2007) found, in their study on advising small business clients, this problem could be the result of different expectations from business owners that may require different kinds of advice after they have been initially successful in what they were first helped with by the service provider.

The findings here show that all four respondents were successful in the development of business plans from SEDA. However, their disappointment was because SEDA was not been able to follow-up on whether they got funding or not, and that they were not being helped to set up their businesses. Beresford and Saunders (2005) report similar findings

to those of Dyer and Ross (2007) while studying the professionalism of the business start-up process. In addition, they further asserted the importance building a good advisory relationship as the first step in improving the effective delivery of such support services. However, SEDA (see the quotation below) says its involvement with the business clients is limited once the clients have been referred to another service provider:

SEDA: Our involvement once we have identified a service provider for the client is very limited. We give each client 3 names with which to get quotations of the services they require. The client gets to choose the service provider they feel comfortable to work with, but also the one with the lowest quote. Once we receive the quote, we as SEDA pays 90% of the total cost and the client pays 10% of the total cost. When all this documentation is done, the project is left to the service provider and we get a copy of all the documentation involved with the client.

It would appear from the above that SEDA pays consultants, or service providers, a large amount of the cost that is charged. It also appears that SEDA pays these consultants regardless of whether their clients receive funding or not. In essence, SEDA achieves help in the development of business plans, but does not engage itself in making sure that its business clients get access to funding. It is a fact that they do not make clear to their clients, who walk into SEDA with the hope of being helped to get access to finance. SEDA either does not make itself clear at the beginning when helping its clients or indeed the clients go to SEDA with false expectations. As highlighted by Dyer and Ross (2007), SEDA fails to be clear on these issues of basic significance.

SEDA further states that:

SEDA: You see... We do not have the capacity to see through to each business development we have to deal with almost 2230 new clients every year. We don't have the capacity to deal with one client fully...that is why we have service providers that we refer them to once we have done a diagnostic assessment of the client ... We have about 600 service providers in total, all independently owned businesses.

4.5 Communication gap

SEDA's business plan support involves external service providers, this means that the client seeks business plan support from a range of business consultants who are accredited by SEDA. However, the provision of service providers does not seem not to be

well-organised by SEDA. They do not seem to have firmly requested their service providers that the final outcome should be that the business clients get access to finance:

***R1:** I think it's still best or good to go to SEDA to ask for help because they give good advice. I only get disappointed because they promised me to help me start my business, but I ended up doing almost everything myself. I paid the business consultant SEDA gave me like R200, because you only pay 10% of what they charge and SEDA paid the rest. They gave me 3 names of consultants and I chose the one that was a bit cheap.*

R3 said that they were in close contact with their business consultant. He used to come to their house in Kuilsriver everyday to work out the business plan with them and gave them good advice each time. In the meantime, they had started baking cakes, scones, biscuits from home. They made big sales and could not meet the demand in their local neighbourhood. They needed a bigger space to bake and increase their sales, but they had no money. The business advisor helped them to purchase what they needed from the local supplier *Goos Bumps*, and he also helped them find machinery. They claimed that all their money went to paying off their debt. They did not even manage to finish paying *Goose Bumps*; their debt has now been written off. After the business advisor heard that they were struggling to pay *Goose Bumps*, he disappeared from them; he never visited them and later changed his number because they never got hold of him again. They have not heard from SEDA either, and have now given up on the business. They said they are upset, because there was so much potential to grow the business, but they did not have any help at the time they were struggling to pay off their debt with *Goose Bumps*. Several issues are raised here. Firstly, the business client needs to be able to pay the loan that will be sourced. Secondly, SEDA needs to have oversight over the business consultant, in order to ensure that they provide their services adequately:

***R3:** SEDA gave us 3 names of business advisors to get quotes and choose one. We found the lowest price that we could afford from the list, and we found one that lived close by us in this area. SEDA paid 90% of what he charged and so we only paid 10%. But this one asked for his money before he helped us do the business plan, so we refused and told him we had no money, we only paid him half. He asked for R400 but we only paid him R200 because they said that he needed to finish helping us get money before we could pay him the whole amount.*

R4 says she never heard from SEDA, but was in contact with the service provider SEDA had recommended. They have not achieved much, because she was waiting for her business to pick up again in order for her to re-apply for the business loan that was rejected by the bank. She expressed concern that SEDA has many programmes in place which it does not fully follow-up with the people it purports to help.

It appears all four respondents were helped in a similar way in the development of business plans. They were all given three names of business consultants to choose from, depending on the cost they were willing to pay. For whichever business consultant they respondents had chosen, SEDA paid 90% of the total cost that the business consultant charged and each of the respondents paid 10%.

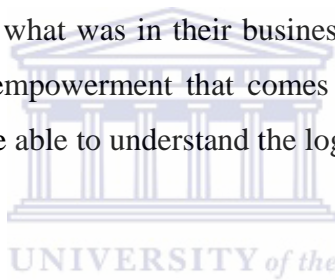
According to R1, R2 and R3 their business consultants did not provide them with what they were looking for, namely, funding directly from SEDA. This indicates that there is a communication gap between what SEDA is saying it can do for budding business clients and what the business clients envisage will be provided by SEDA. Why is there such a gap and what can be done about closing this gap? The gap can be attributed to the fact the business consultant appointed is from outside SEDA. It can also be attributed to the fact that budding business clients would like SEDA to fulfill the role of providing finance.

All the business clients were only assisted in the development of the business plan. They had to tell their consultant what their business idea was. They had good contact at the initial stages of the business plan development. All four respondents were pleased with the final development of the business plan. They say stated that they did not write the business plans themselves; instead, the business consultant did the writing for them, but the help provided was confined to being given the business plan. They claim that they were left to set up their own businesses in terms of business registration, access to finance, looking for commercial premises, which SEDA had promised. Again, their expectations have not been met. This would question SEDA's quality in its delivery of services. Quality in the service industry has been defined as meeting customers' expectations (Grutter, 2009). SEDA has not managed to meet customers' expectation and

therefore, is subjected to the above criticism of poor service quality. An external observer can conclude that SEDA has provided the service as promised, but because their clients have different expectations from them, they need to communicate with their clients more vigorously with what services they provide.

These business clients most likely needed their business idea to be developed through business incubation. Szabo (2006) had a similar finding that the lack of basic business knowledge undermined the potential success of most start-up businesses. The business incubation model could help the clients understand and work better with the business consultants.

In addition, the business plan was developed by the business consultant and the clients appear not to have understood what was in their business plans, especially the financial projections. There should be empowerment that comes with the business plan. At the very least, the client needs to be able to understand the logic of the business plan and how to interpret and use it.



R2's business consultant from SEDA developed a business plan for her and promised them that she would make lots of money, which never came through. She expressed her disappointment at that. She was the only one in the group who lives in Paarl, who had been invited by SEDA to attend the business course. Since she got her business plan, SEDA has only called her once to check how she was doing. When she called SEDA, they told her unfortunately she lives too far away and the consultant could not come and visit her. So she has never heard from SEDA again and no one ever came to help her. This frustration of R2 is similar to the finding of Dyer and Ross' (2007) main issue of the different expectations of the clients to their service providers. She expected more from SEDA than what SEDA could offer, this is further expressed in the quotation below:

R2: *SEDA did not have any formal follow up sessions with its clients that it had helped. They promised us to be in a kind of network so that we could help and support and each other, but all that never materialized. SEDA keeps starting new programs with new clients but does not follow up or help its previous*

clients. The whole thing is a flop. When I called SEDA to complain, I was told 'We will try to do it better next time'. But that does not help me.

The network that SEDA promised in R2's quotations could be a more effective way in linking up their clients so that they could help and learn from each other's businesses. SEDA does not have the capacity to see to all its clients and such networks as they have suggested would help deliver their services better.

R1 says that she gets calls from SEDA occasionally to check how she is doing, but they have not come to physically check her place, or offer any assistance. All four respondents seem to be happy with the final business plan itself, which they received from either SEDA's service providers/business consultants. However, the most eminent problem that seems to arise from all the respondents is the lack of proper follow-up sessions after completion of their business plans. Most of them had one or two contacts from their business advisors and were left to carry on with the loan applications and business registration alone. R1, R2, R3 all said they had no idea how to go about setting up their own businesses. They struggled to get their business on to a firm footing and in the case of R3, their business failed.

There appears to be a communication gap between SEDA and its clients. SEDA helps clients to access finance by helping them develop business plans and linking them up with the relevant financial service providers. However, these forms of assistance appear to be misunderstood by the business clients in that they assume that SEDA will give them funding directly. This is in line with the findings of Dyer and Ross (2007) of the communications problem between the client and the business advisor. Dyer and Ross (2007) state that that this communication problem usually arises due to the different expectation between the client and the business advisor. Such appears to be the case of SEDA and its business clients. Business clients have greater expectations from SEDA which SEDA does not offer, finance being the most obvious case in point.

The other problem could be in the difference in the environment that SEDA works in compared to its business clients. Three respondents come from an informal business environment and appear to have problems in grasping the formalities that SEDA, which is a formal service provider, has to follow in helping them develop business plans. It is possible, indeed probable, because of the poor education background that all the four clients have, that they do not understand SEDA's way of helping them develop business plans.

SEDA follows a specific chain of command. Maister (1993) suggests business clients do not fully understand, because they operate in a less formal environment. All they want is their final product, the business plan and funding. The paper work involved and the chain of command that might be imposed on them by SEDA does not seem to be all welcome by their business clients. Maister (1993) described organisations that operate in much formal business environment compared to the small businesses, which operate in a less formal business environment (especially in their start-up phases). SEDA's business assistance appears to be more formal since every detail their dealing with the client is well documented.



4.6 Conclusion

The three main findings of this study have been pointed out to be:

- the lack of education and business training;
- difficulty in accessing finance; and,
- a communication gap that exists between SEDA and its business clients.

This results in the clients not understanding fully the role of SEDA and also having false expectations from the help that they are offered.

Service providers play a critical role in the development of small businesses. They tend to spend more time with the clients in assisting them with business plan development, access to finance and business registration than SEDA, because of their limited capacity to attend to the large number of clients they register each year.

CHAPTER 5

5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

This study is aimed at evaluating SEDA's business plan support it offers to its business clients.

Chapter 1 introduced the main concepts. The research questions and objectives of the study were also outlined.

Chapter 2 presented the literature review, highlighting the importance of SMEs, the problems SMEs face, SME support and access for to finance. The roles and importance of business advisors, interventions strategies, and the government in SME development were also discussed and reviewed.

Chapter 3 discussed the research methodology that was followed to address the research questions. This study used a qualitative case study design was used to discuss the perception of SEDA's clients with regard to the business plan support that they receive. Several data sources were used to gather data in this study.

Chapter 4 presented the main themes that emanated from the interviews conducted. That is, the lack of education and training, finance, and SEDA's follow-up systems.

This Chapter gives a summary of the findings that were obtained with regard to the research questions. The goal of the study was to answer the following questions.

- a) What are the perceptions of business owners with regards to SEDA's business plan intervention?
- b) How effective is SEDA's business plan interventions in increasing SMEs' access to finance?

c) What are the critical success and failure factors of SEDA's business plan intervention on SMEs?

Each factor is summarized below.

5.1.1 What are the perceptions of business owners with regards to SEDA's business plan intervention?

There is unquestionably a range of misunderstanding on the part of clients as to SEDA's function and the extent of their support. Therefore, there needs to be far better communication between SEDA and its business clients before they are assisted in any way. This can avoid the major misunderstanding that SEDA provides funding for small business start-ups.

It should not be possible to do an extended course with SEDA over some months and emerge from it with misplaced expectations about funding. Part of this misunderstanding is from the different environment that the clients and SEDA operate in.

SEDA is in a formal business environment while it deals with clients who operate in an informal business environment and do not understand the formalities that SEDA has to accomplish in order for them to be assisted.

The essential onus has to be on SEDA to ensure that the misunderstanding on its role does not happen, as it certainly did to a greater or lesser extent with all the clients interviewed. Furthermore, there should not be the evident level of disenchantment about on-going support from SEDA. Clients should be quite clear of what to expect and what to require from SEDA, and likewise what they are not going to get.

5.1.2 How effective is SEDA's business plan interventions in increasing SMEs' access to finance?

It appears from all the four clients interviewed that they lacked proper business knowledge, especially in terms of setting up and starting their own businesses, in the broadest senses. SEDA should focus on getting clients who have been through business incubation, or provide such a service themselves.

The preparation of a professional business plan is no more than an aid to making a 'pitch' at a lender. It does not of itself guarantee funding, any more than a professionally written curriculum vitae guarantees success at an interview.

5.1.3 What are the critical success and failure factors of SEDA's business plan intervention on SMEs?

SEDA is able to register thousands of new clients every year and manages to get consultants to help develop business plans for their clients. Every client that has been through SEDA's door to seek help for a business plan is happy with the business plan service that they offer, in so far as it goes.

However, these business plans are developed in order to access finance which SEDA is not able to help them with successfully. Most of their business plans that have been put forward for funding are not successful, because they do not meet the basic criteria of the lending institution. Furthermore, SEDA does not have an effective follow-up system with its clients to check on funding success, nor any other difficulties encountered.

Clients receive occasional calls; others do not hear from SEDA at all after they have their business plans.

5.2 Recommendations

5.2.1 Development of relevant business plans

Business advisors from SEDA need to be instructed to help the business clients develop business plans that are relevant, or meet the financial service providers' requirements for loan applications.

They first need to identify which lending institutions they are going to apply to for funding and get an advisor to develop a business plan that meets their criteria. This should be a fundamental requirement.

5.2.2 Review of loan and administrative requirements

SEDA needs to perform a review of the mechanics of loan requirements for any and every institution that they refer clients to for finance. There is little point in sending clients to apply where there is a statistical likelihood of them being refused at the first hurdle, because they fail to meet the criteria of the lending house.

The fact that banks are as vague in their responses to questions enquiring about the criteria is also very questionable. This goes to the heart of any serious government intention to create an entrepreneur-friendly economic environment. The contrast between this and the strategy adopted by the UYF, for instance, is not a gap, but a chasm.

Equally, the preparation of a business plan is far from being the only administrative headache that small entrepreneurs face. The demands of other paperwork, the filling-in of application forms, the accounting of credit history and much more, are all problematical for many would-be business people. This is not to say that their essential business ideas are at fault; it simply means they are not as literate as lenders expect their clients to be. This may be a failing on SEDA's part – that they limit themselves to one particular piece of paper. They are well aware of the need for support in this area, so there can be little excuse for being unaware of clients' literacy difficulties in similar areas.

In effect, the focus on business plans to the exclusion of other legal and administrative support requirements may amount to a job half done; indeed a job ill done, if it means that clients abandon the process of seeking finance because of it.

SEDA is not responsible for people's education, but to recognise the need in one area makes it difficult to understand why clients are left in the air in so closely-related an aspect of the same process.

5.2.3 Emphasise SEDA's role in its support

SEDA needs to emphasise the point that it is just a support agency and not a lending organisation, and to ensure a full and proper understanding of what they do not offer as well as what they do.

Further, if commercial banks are not socially motivated in their handling of small-business loan applications, and if government is really serious about the promotion of entrepreneurship for all the good reasons cited above, then direct and meaningful intervention is needed, rather than just verbal aspiration. In an economic environment of near banking collapse, governments worldwide have supported the banks with taxpayers' money. The principles and practice of loan guarantees, or some such support structures, are not complex. Nor is it a high-risk approach to such start-up 'lubrication', have been operating fruitfully and successfully all over the world for decades. The failure to provide such a policy in practice, while making speeches about the need to promote small business enterprise, is a contradiction that should be resolved, and could easily be. It does not have to cost anything to operate once started.

It is, of course, a considerable problem that SEDA is deprived of the funding necessary to do more than they undertake at present. It represents a serious constraint on what they can do. However, in terms of what they are receiving from government, it is worrying to think what a formal (social) cost-benefit analysis would show for SEDA's operations as currently supported and promoted by government. There has to be the suspicion that the 'return' on moneys being spent at present provides very poor benefit in relation to even current, relatively low levels of expenditure.

Commercial banks are evidently turning down a large number of loan applications for the lack of collateral or security that is always a problem for small businesses. SEDA, however has remains focused on the mechanics of loan applications and the presentation of business plans. It would appear that the ultimate outcomes of the business are ignored.

5.2.4 Develop an effective follow-up system

SEDA also needs to develop an effective follow-up system with business clients. The agency should find a way of helping business clients that do not manage to get finance, and/or those who face other structural difficulties. There is a serious problem in terms of client expectations in this area, as well as disappointment. Again, whether the expectations of clients are faulty or not, the onus has to be on SEDA to eliminate this problem by clarity of definitive explanation, repeated to the extent that may be necessary. The efforts invested as matters are currently structured are at risk of being no more than a waste if businesses are allowed to fail for want of an extended support and advice system.

SEDA should focus on getting clients who have been through business incubation, or provide such a service themselves. An inescapable recommendation has to be that SEDA should have more service providers for business incubation. This would ensure that businesses can be helped during the vulnerable start-up phase. There are obvious cost factors involved herein, but it is hard not to conclude, again, that this is a case of a job that was not well done, in terms of the promotion of small enterprises. Such wastage, at either human or financial aspect can be avoided. Even with the problem of shortage of funds from government, there is still a lot that SEDA could and should do in addition to their current role.

5.2.5 Business incubation

The development of incubation courses is an obvious possibility; training people in some of the basic realities of business creation and management would provide a far better return on money spent at present. This is not a new or revolutionary idea; it is practiced in many countries for exactly the reasons discussed herein.

Further, the creation of self-help/self-support networks would be very simple. If many people are not comfortable with the formalities of a 'rarefied' institutional business atmosphere', a more personal network of small entrepreneurs exchanging ideas, experience, information, advice and contacts would cost nothing and could easily be very fruitful. Clusters of people would then effectively be creating and operating in their own

informal Chamber of Commerce for SMEs at an appropriate and comfortable level of activity. Alongside this, there should be a means, or a process, for putting either individuals or such networks in touch with other service providers who could be of use to small business entrepreneurs, who could provide services and facilities that are outside SEDA's remit.

5.3 Conclusion

It is not, therefore, that what SEDA is doing is wrong. Essentially, it is that they may not doing it with altogether the most useful focus. In terms of business growth, and related to their current activities that could ensure a better return to the South African economy, they may be doing enough. This is the analysis that they should be performing for themselves internally. The answers to the questions are not revolutionary. If they could bring about these adaptations to their method of assistance, they would be in a position to present their own business plan, in meaningful terms, to government, for the necessary funding to do their work more fully and productively.

Such an analysis, with sound recommendations, could persuade government that small business needs more pro-active and carefully-tailored input to help it contribute to the economy.

In effect, SEDA needs to design its system of operations on a broader basis and seek the funding from government that will make this possible.

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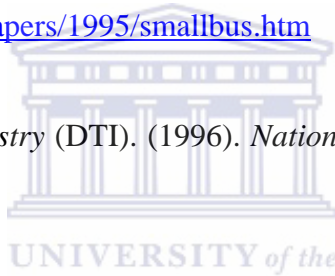
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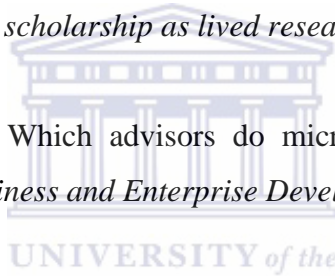
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APPENDICES

APPENDIX 1: SEDA's financial institutions

FINANCIAL INSTITUTIONS

Institutions	Physical Address	Contact No.	Criteria	Amount Available
ABSA - Small business Incubator Fund		0860 040302		1 million & up
Absa small business advisory centre	Next to the Athlone stadium / Absa Building	021 633 7311		
Business Partners	60 Sir Lowry Road, Cape Town	021 464 3600	Small & Medium enterprise	R250 000 - 15 million
Cape Finance Corporation	17th Floor, 1 Thaibault Square Foreshore, Cape Town	021 419 6976	Existing businesses only. Transport, trucks. Must have assets to value of Loan amount	
Casidra (Administered by Red Door)	22 Louws Avenue, Southern Paarl	021 863 5000	Start up & existing businesses. Businesses owned by women. Disabled and community	R10 000 - R 160 000
Isibane Capital	Unit 58, M5 Freeway Park, Maitland	021 510 0382	Contracts in construction businesses. Government tenders	R150 000 - R300 000
Khula Finance		021 671 9056/7	10 % Owners contribution	
New Business Finance	Protea Place 2nd Floor, Protea Road Claremont	021 671 6263	Open for all ages. No transportation	R1000 - R250 000
Sibanye SACCO	13 Blankenberg Street Bellville	021 949 1429	Start - up funds	R2000 - 20 000
Umsobomvu Youth Fund		021 415 2040	Start up & existing businesses. Young men aged 18 - 35 years. Women all ages. No	R1500 - R50 000
Enterprise Finance	Midrand	011 651 7000	Not for property development	More than R100 000
African Renaissance	1 Adderly street, 13 th Floor Spoornet Building	072 193 3432	All welcome	R200 - R10 000
IDC - Industrial Dev Corp. Absa transport	Trust Bank Centre, Adderley Street, Cape Town	021 421 4794/5	Manufacturing / must have contracts	Million and more

Institutions	Physical Address	Contact No.	Criteria	Amount Available
Land Bank	Pasita Road, Bellvedere Office Park	021 974 2200	Agriculture All welcome negotiate contribution	R 5000 - millions
Centre of Entrepreneurship and Innovation		021 406 1922	Existing businesses only. Each case treated on merit	R 5000 - R 50 000
Red Door - Mitchells Plain	Shop C-03 The Promenade C/O AZ Berman and Morgenster Road	021 376 2377	Only assists clients 35 years and older	
Department of Trade & Industry	80 Waldorf Building St.Georges Mall Cape Town	021 480 8060	Various businesses / has incentive schemes available	
WESGRO		021 487 8600	Export promotion and support programme	
The Business Place		021 425 7816/7/9	Support structure	
Franchising Association of South Africa		011 615 0359	Promotion and supporting franchising in SA	
Matchmakers		021 852 8160 / 0845506044	Facilitation of BBBEE deals	
Furntech		021 510 0088	Incubation facilities for businessess in woodwork industry	
SAMAF		826449599	Mark Larad	
NEF (National Empowerment Fund)	info2@necorp.co.za info@necorp.co.za	0861633835 / 08618436333 / 0113058000		R250 000 - 50 million

APPENDIX 2: Consent form

CONSENT TO PARTICIPATE IN A RESEARCH PROJECT

TITLE

An evaluation of SEDA’s ‘business plan support’ offered to its business clients in the Western Cape.

RESEARCHER

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SUPERVISORS:

Prof D.J Visser and Mr. A. Bayat.

INSTITUTION

University of the Western Cape (School of Business and Finance)

DESCRIPTION OF RESEACH PROJECT

My research interest is on the business plan intervention support SEDA offers its business clients with regards to access of finance. I intend to do an evaluation where I will conduct in-depth interviews with two key informants from SEDA and do four case studies of recipients of the business plan intervention. It is hoped that the study will help in identifying the critical success and failure factors of the business plan intervention with regard to helping clients get access to finance.

CONFIDENTIALITY

Your name and business will not be included in this research project. Your participation in this study is entirely voluntary. You may choose to withdraw from the study at any point should you feel uncomfortable.

Sophie Kamala

Signature..... Date

CONSENT

By signing this consent form, you agree to participate in this project

Signature Date

APPENDIX 3: Interview guide 1

<p>Core concepts</p> <p><i>What are the major program areas this program addresses</i></p>	<p>Key indicators</p> <p><i>What can we observe or measure to generate evidence?</i></p>	<p>Methods</p> <p><i>How will we collect the evidence?</i></p>	<p>Sources</p> <p><i>From whom or where will we obtain this information?</i></p>
<ul style="list-style-type: none"> ▪ Assisting SMEs to draw up business plans in order to get finance 	<ul style="list-style-type: none"> ▪ How many business clients were successful in their applications? ▪ How many business clients did they assist in year 1, year 2, year 3. ▪ Are SME owners satisfied with the business plan support interventions? ▪ What impact has the business plan made on the business clients? ▪ Did the access to finance help ▪ Is the client still in business? ▪ Has the business grown? 	<ul style="list-style-type: none"> ▪ In-depth interviews will be conducted with both the business advisors as well as the SME owners ▪ Desktop research 	<ul style="list-style-type: none"> ▪ Business advisors from SEDA ▪ SME owners that received the business plan support. ▪ Documents from SEDA

APPENDIX 4: Interview guide 2

1. Would you be willing to participate?
2. What is your highest qualification?
3. What was your occupation before you got into business?
4. Are you the manager or owner of the business?
5. Since opening your business, have you received any form of assistance in relation to business matters?
6. How successful do you think your business is?
7. How many employees are permanently employed in the business?
8. What type of business do you manage or own?
9. When did you make use of the assistance?
10. In what way were you assisted?
11. Who presented you with assistance?
12. How long were you assisted for?
13. When you think of the assistance you received with regard to business plans, what shortcomings can you identify with the process.
14. Can you please tell me what contributed most to the success of your business plan/or the business itself
15. Is the your business more successful because of the business plan assistance you received?
16. According to you, when should a person seek such business plan assistance?

SEDA

Under what guideline do you follow in helping client develop business plans?

What are the lending institutions criteria for giving loans to successful business plans?

Do you have any follow up system with your clients?

APPENDIX 5: Assessment form

SF-0019	IMPROVEMENT ASSESSMENT	seda
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Client ID No:	(0422) WC/01/00043/1456/P	Date:	
Client Name:	Noise Boys (0422)		

Good day. My name is Josef Frank and I'm calling from Seda CAPE TOWN We would like to find out to what extent SEDA assisted with the formalization, growth and sustainability of your business – would you be willing to answer a 5-minute questionnaire? All your answers will remain strictly confidential. We can conduct the interview now, or I can call you back at a time that is more convenient.

Thank you for agreeing to participate in our assessment.

I would like to first confirm your details as we have them captured on our system.

SECTION A: CLIENT DATA VERIFICATION

COMPLETE CLIENT VERIFICATION ON SYSTEM BEFORE PROCEEDING TO SECTION B

(ONLY COMPLETE IF SYSTEM IS OFFLINE)

DETAILS	NO CHANGE	NEW
Telephone number(s):		
Cell Phone number(s):		
Physical Address:		
Postal Address:		
Tax Clearance Certificate:		New Expiry Date:
Ownership:		Name and Surname:
		Date of Birth:
		Share %:
		Contact Number:
		Gender:
		Race:

SECTION B: BUSINESS FORMALIZATION

ONLY IF APPLICABLE ELSE PROCEED TO SECTION C:

1. Has your business been registered as a legal entity in the past six months?

**DO NOT PROMPT
SINGLE MENTION**

	Yes/No
Close corporation	
Cooperative	
Pty (Ltd)	

SF-0019/001-09

SECTION C: BUSINESS GROWTH

2. In the past six months, did your business' turnover increase, stay the same, or decrease?

**DO NOT PROMPT
SINGLE MENTION**

Turnover	
2.1 Increased	
2.2 Stay the same	
2.3 Decreased	
What was your turnover for the past six months?	

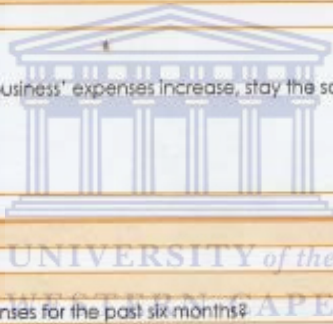
If there was a decrease, in turnover, what would you attribute the decrease to:

Reasons for decrease	
Lost major client/account	
Current economic situation	
Bad debts	
Increased competition	
Staff leaving for better jobs	
Lack of equipment	
Decreased demand for products/services	
Focusing on prospecting for new clients	
Production costs increased	
Started other business	

3. In the past six months, did your business' expenses increase, stay the same, or decrease?

**DO NOT PROMPT
SINGLE MENTION**

Expenses	
3.1 Increased	
3.2 Stay the same	
3.3 Decreased	
What were your business expenses for the past six months?	



4. NET PROFIT

DO NOT PROMPT, INTERVIEWER TO CALCULATE

Net Profit	
Turnover	
(less) Business expenses (cost of sales and operating expenses)	
Net Profit	

5. In the past six months, did your business' number of full-time employed staff increase, stay the same or decrease?

**DO NOT PROMPT
SINGLE MENTION**

FM: Employment	
5.1 Increased	
5.2 Stay the same	
5.3 Decreased	
How many staff members does your business employ?	

APPENDIX 6: Transcripts

CASE 1.

Location: Delft.

Sex: Female.

Type of business: Hair salon.

Date: 29/09/2009 at 3:30pm.

***R1** turned a garage into a hair dressing salon that she runs in Delft. She lives with her mother who runs a crèche in their family house: I did a hair dressing course at the college of Cape Town where I got a National certificate. One day I got a call from SEDA, they said that I should come and attend a course so they can help me write a business plan. They said this will help to get money to start my own business.*

According to the quotation above, R1 attended a hair dressing course with or without plans of to start her own business at that time until she was invited by SEDA who promised her a business plan that would attract funding. When her expectation did not materialize, she became unhappy. Furthermore,

***R1** When I was about to finish my hair dressing course, SEDA invited me to attend 7 months business course from August to March 2007. This is the best course I ever attended because I wanted to start my own business. SEDA asked us to go and do a market research for our business plans, which we did not know. When we asked about the market research, they gave us a guide which was not easy for me to follow.*

Although the idea of the course was to help clients develop a business plan, it would appear that the instructions were not very clear for the clients to follow as stated by R1 above. As a result, R1 did not succeed in establishing a successful business. In order for them to achieve that, they had to do a market research even though she did not know how. However, she got funding from SEDA

***R1** When I completed the course SEDA gave me money to start my business. They gave me R10 000 as start-up capital. They also helped me with the registration of my business. I could not get enough money for a place to rent for my business. That money was not enough that is why I decided to use the money to renovate our garage and use for the salon. The money I am making is okay even though it is not much.*

She says that finance is still a problem to start a business. SEDA promised they were going to assist with finance, but in the end, she had to go out by herself to seek assistance on how to write a business plan from a business consultant and register her business.

***RI** Some other innovative friends of mine went elsewhere to places like Umsobomvu to look for start-up capital, because R10 000 really was not enough for me with what I wanted to do, I mean I did not buy anything at all with it for my business, I used that money to renovate the garage, but it was not even enough, my mother helped me to finish renovate it. As you can see its not where I would like it to be ... I still need to fix a lot of things in here.*

She says they were 23 of them that attended the course but not all of them got funding from SEDA.

***RI** SEDA only gives advice and don't do actual research on how much money will your business need The predictions that I have in the business plan are not exactly as what they had estimated I would be making. I am not making even close to their figures. They drew up a 6 months projection on how much I would be making but I am not anywhere close to that.*

She says she got funding from SEDA because she registered her company. She had to come up with ideas about the business and she was helped by her mother. She says she was lucky to have received some funding from SEDA because others did not get

***RI** I think its still best or good to go to SEDA to ask for help because they give good advice. I only get disappointed because they promised me to help me start my business, but I ended up doing almost everything myself.*

I paid the business consultant SEDA gave me like R200, because you only pay 10% of what they charge and SEDA paid the rest. They gave me 3 names of consultants and I chose the one that was a bit cheap.

***RI** SEDA yes calls me once in a while to see how I am doing but nothing more. They have not come to see my place or give me ideas on how I could improve business from where I am struggling now. My business did very well when I just opened the salon, but these days it is quite, It only gets busy like over the weekends, then it is busy for me because I am alone here also. But also I am not located in a good place to attract customers because my salon and I can't afford to pay rent somewhere where I can have more customers.*

CASE 2

Location: Paarl.

Sex: Female.

Type of business: Beauty Salon.

Date: 14/10/2009 at 2pm.

R2 is the sole owner of the beauty salon in Paarl and has two other beauty therapists working for her, her business has been running now for the past 2 years. She worked at Dis-Chem for 3 years as a beauty therapist before she enrolled for at the College of Cape Town where. Similar to R1, she was invited to attend a business course by SEDA.

***R2** It is at the end of the course at the College of Cape Town that I got a call from SEDA inviting me to attend a business course that they were offering for 7 months. I did not go to SEDA to seek for help, they called me to tell me about how they were going to help me start my own business. I would not even recommend anyone to seek help from SEDA because they do not deliver. I don't want to have anything to do with SEDA, I do not want to talk to them and I don't want any contact with them because they just wasted my time.*

***R2** In the course that we attended, I was the only one that came from Paarl to Bellville where we were attending the course. I was not able to develop a business plan by myself. All SEDA did was to give us advice how to develop a business plan. A consultant from SEDA developed a business plan for me. He told me I was going to make lots of money from the cash flow projections that he had in the business plan which never came through. Even though I attended that course, I do not know how to develop a business plan by myself.*

***R2** I got R9 500 from SEDA to start my business. I just managed to pay rent for two months for this place, and that's all I did with the money. I struggled to get started in this business. I had to ask and borrow money from friends to buy a few things to start with. This is why I am so bitter with SEDA. They made me resign my job because of the business they promised me they would help...but nothing. If I knew at that time, I would have kept my job really. If it was not for my initiative to go and seek help from others, I do not know where I would have been now. You know who really helped me? It is Umsobomvu.*

***R2** I always advice people or my friends who want to start their own businesses to try with Umsobomvu because they are the people who really got me started. There since I had no job and didn't have money, all what Umsobomvu needs from a person with no money like me at that time is to make an agreement with a person who has a job and earns a salary because then they use that as surety to give you funding.*

R2 I was also referred at Umsobomvu to a private business advisor whom I paid R200 in order to develop a business plan. It is that business plan that he drew up for me, the private consultant that I managed to get funding from Umsobomvu. But for them, they did not give you funding directly, they pay the suppliers of your business directly into their accounts for the equipment and whatever materials that you needed for her business. You just have to tell them what you need in the business plan and they work it out from there.

R2 This consultant that SEDA gave me only visited me once, this was even before I had started this business he never came back to her. When I called to ask SEDA for him or if they could give me someone else they told me that Paarl was too far. Up till now I tell you, no one from SEDA has ever bothered to see or find out how I am doing or try to offer any help especially when I was trying to establish my business. That is why I am still bitter with SEDA because had it not been for her own initiative, I would have had no business and no job since I resigned from Dis-Chem with the hope of starting my own business. I believed that the business plan would work out as was on the paper, but no.

She went on saying that EDA did not have any formal follow up sessions with its clients that it had helped. They were promised to be in a kind of network so that they could support and encourage one another, but all that never materialized.

R2 SEDA keep starting new programs with new clients but does not follow up or help its old clients. The whole thing was a flop. When I called SEDA to complain, all I was told is that 'will try to do it better next time'. But that does not help me now.....they really frustrated me.

R2 My business is doing very well. I am in the middle of town and I moved with some of my clients from Dis-Chem. A lot of people here know me so I have a lot of customers. But this is all my doing not because of SEDA.

R2 clearly appears to have a wrong perception of the role of SEDA. SEDA is indeed there to help and give advice to small business start-up. But it appears from this interview that SEDA promised them development of business plans and the actual business. So she got frustrated when the course ended because she was not helped in line with what she was being advised to do. She was left to start doing everything by herself. She had to re-develop the business plan, apply for funding, look for a place, buy equipment.

I think SEDA's needs to emphasise the point that it is just a support agency and not a lending organisation.

CASE 3

Respondent No. 3 - Married couple.

Location: Kuilsriver (Sarepta).

22/10/2009 at 16:30.

R3 are a young retrenched couple who worked for Shoprite. They have combined accumulated work experience in baking and operations management. Currently they both work at Pick-n-Pay

I went up to grade 10 ... I went up to grade 12. But I did a small baking and confectionery course at Shoprite Baking School, and that is what I do these days. I work at the bakery section in PicknPay and my husband works at the fruit and vege section.

R3 We heard about SEDA from my sister in-law who heard about it being talked somewhere RED door. They had a presentation and that is where they were told about all this business stuff ... starting your own business. So she came and told us at home.

They heard about SEDA by word of mouth from a family member who attended a session with Red Door and talked about SEDA. When they went to SEDA to seek help in starting a business, there were invited to a 2 day seminar by SEDA.

R3 When we went to SEDA in Bellville, they invited us to attend a two day seminar with them. We attended the seminar but it was mostly intended for existing businesses, the things they were talking of.... he stuff they were talking about was nothing that was interesting to us because they were talking about cars, things related to 210..things that attract tourism Not for small business like us... they were talking in dollars with the K sign... I don't know what the K sign means. It wasn't actually for us that wanted to start a business. And their talk was specific talks on tourism. It did not apply to us that time because we had no business.

But SEDA assured them they will help them start a business.

R3 SEDA gave us 3 names of business advisors to get quotes and choose one. We found the lowest price that we could afford from the list, and we found one that lived close by us in this area. SEDA paid 90% of what he charged and so we only paid 10%. But this one asked for his money before he helped us do the business plan, so we refused and told him we had no money, we only paid him half. He asked for R400 but we only paid him R200 because they said that he needed to finish helping us get money before we could pay him the whole amount.

R3 *He used to visit us everyday and gave us good advice but in the end it was not helpful because what we needed was the money which we did not get from them.*

R3 *We did not get any money from SEDA, we had good contact with the advisor. We decided to take the business plan to ABSA to apply for a loan. But we could not even start the loan application. We did not meet any of their requirements; I remember they asked us if we have a bank account with them. They said at least one needs to have a business account with them which we did not have. They also wanted the account to have been opened for six months with a balance of R10 000.*

R3 *We used our retrenchment packages to buy a few things like equipment, we bought miniature, cake mixer, fridge and a stove which we used for the business. The advisor linked us up with JJ Brokerage Service. He constructed a short term cash-flow plan that he used to negotiate with them. So they gave us a credit facility ... we used that that to buy our ingredients with Goos Bumps. We were supposed to be paying Goose bumps once we started selling our cakes.*

R3 *We started baking from home with R400 out of our own pocket. My husband was the sales person at this nearby U-Save supermarket you passed as we were coming. Our consultant helped us to keep record of all our sales and expenses. He showed us how to use their receipt book and how to keep a daily cash-flow statement. We were quite happy with his help as we had no idea of how to do that to do a cash flow statement. We just used to spend the money and not knowing how much we were using for the business.*

R3 *We could make up to R2 500 in just two days especially over the weekends. But we were struggling to pay Goos Bumps for the ingredients that they we had bought and the machine. So all the money we made went to paying Goos Bumps. Our business did not grow. We did not even finish paying off the debt until I was written off. After the business advisor heard that we were struggling to pay Goos Bumps, he disappeared from us, he never visited us and later I think he changed his number because we never got hold of him again since that time.*

R3 *We are actually upset because we had so much potential in this area to grow our business. Even now our neighbours keep asking us when we are going to start baking because not one has such a business here. But we do not have money now. We were even asked for mini quotes for industrial baking as well as price park homes ... these were going to be our potential places we could use to sell because we do not have good place to sell from. We used to sell outside the U-Save supermarket.*

R3 *We also tried to apply with Umsobomvu Youth Fund but the application was a long process, and we did not know how to complete the application form. Look, here they ask me for personal assets... I do not have any assets so I do not know what to put here.*

CASE 4

Respondent No. 4.

Location: Phillipi.

Sex: Female.

Date: 19/10/2009.

How did you come to get to know about SEDA?

***R4** I knew about SEDA from the South African Women's Entrepreneurship Network (SAWEN) which is connected to the DTI. They are a government arm, to assist women in the various agencies and it is through these organisations that SEDA's name kept on popping up and that is how she took interest into seeking help from SEDA.*

Did you attend any course with SEDA?

***R4** I did not attend a course with SEDA but I received products from them. I got the business plan and admin plan product from SEDA. Everything about my business was being done manually and it was causing such a lot of strain as the business was growing, so I needed help in order to for the business operations to run smoothly. I needed everything to be put together in terms of filing, accounting, anything and everything to do with admin within the business in order to keep a proper record of everything.*

What type of business do you do?

***R4** I am in the manufacturing industry, I manufactures doors, door frames etc, I own the business which has been running now for the past 5 years, but has been in the business for the past 12-13 years. I used to work for the business before I bought it. I have has about 15 permanent employees but she also get 2-3 subcontracting teams at the constructions site. Sometimes it can go to about 6 teams.*

***R4** I do not advertise my company because I am still in the process of establishing the company, I just advertise by word of mouth. Although that the company has great potential and has been able to beat some competitors in the market. Right now we are in the process of establishing the factory to be in a good running condition.*

***R4** SEDA has other service providers that help them deliver their products. When I went to SEDA to look for the development of a business plan, SEDA gave me 3 quotes where I chose from and I took the best of the three. I used Business Survivor Solutions (BSS). BSS did the business plan for me and the other service provider helped me on the admin plan. SEDA paid 90% and I paid only 10%.*

Did you apply for any funding?

R4 *The business was already in full swing when I went for help from SEDA. I needed the business plan because I wanted to apply for funding to expand her factory. I did not get the funding. At that time that I applied, my turnover was low and the banks did not approve my application. I have not applied for any funding since then because I have been waiting for my business to do well. I hope I can go and apply once again now.*

R4 *The service providers that they give are very much involved in helping you develop the business plan and whatever you need help from them “the problem that I have is that to even start to implement or assist the business owner or the SMME, it is someone’s money. I just feel that whoever in investing this money can better assist SMMEs if they were to involve the development of these products. I took two products, but it’s been absolutely no help to my business. Am grateful that I only paid 10%, but that’s my money from my returns. They say that they are giving you the business plan, but I had to take whatever they had to offer.*

R4 *If you have to ask me at any one time, that was my choice because that is what they had to offer and to that they came to help me at my point of need. And even with the admin plan, it was intensive, its beautiful, but I was given a formal document that doesn’t help me. As an entrepreneur, you are hands on, you are your owner manager. I know what I need in the business, so the document that they gave me was just a formal structure of what I already had in my head, It just wasn’t rolled out. It is irrelevant; it doesn’t make it useful or valid to the business*

R4 *I believe and I know that my business is very sustainable, because as for today she says I am debt free, my employees are earning good money compared to the others in the same industry. We have a good reputation in the industry, we are satisfying their clientele.*

R4 *I guess what SEDA or the government is doing is that they are using one system to evaluate or help SMMEs which is very irrelevant. Each must have its system which suits their business and I think this is where SEDA is missing the point. I think it a big waste of money. If they had to ask me to say , here is R30 000 how can it assist you? I am more than willing to tell them how I am going to use it and add my portion because I know my business and exactly what it needs and consider other skills. SEDA could assist to the pressure to provide assistance in terms of finance.*

R4 *I have not heard from SEDA since then. But the service providers came and I am in contact with them. SEDA needs to be seriously involved in the development of SMMEs. They are busy drawing up new programs, and most of them are irrelevant to the development of SMMEs. My concern though is that, whether what SEDA is doing has assisted us or not, the fact is that someone is*

paying for those programs. Whose money it? Tax payers' money? Whatever the case, It was not spent to the best of its ability. I get passionate about these things because when you run a business every cent counts.

R4 *SEDA helps with the development of the business plan and other products. But one has to look at what they are offering to see if its fits their business needs because for her, what SEDA offered did not suit my business needs, though they helped me develop a business plan in the end.*

