



**Cape Peninsula
University of Technology**

**A critical analysis of Local Government support in the promotion
of small enterprises: A study of the Cape West Coast local
authorities in the Western Cape Province**

by

AVRIL MATHEW HEIN

STUDENT NO.: 181006847

Thesis submitted in fulfilment of the requirements for the degree

Master of Technology: Business Administration

in the Faculty of Business

at the CAPE PENINSULA UNIVERSITY OF TECHNOLOGY

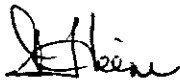
Supervisor: Prof. H.H. Ballard

Cape Town

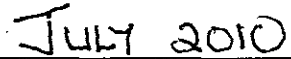
July 2010

DECLARATION

I, Avril Mathew Hein, hereby declare that the contents of this thesis represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.



Signed



Date

ABSTRACT

It is an accepted fact that small businesses are the economic growth “engines” in developed countries. This reality is given as the main reason for the active involvement of local government, in promotion and development of small enterprises, with the purpose of reversing the trend of growing unemployment in South Africa (even with high economic growth rates) and reducing the high poverty index.

Internationally, local municipalities have become primary players in supporting and promoting small business. Prior to 1994, local government in South Africa is perceived to have played a passive role in this field.

This study aims to evaluate and critically analyse local government’s involvement in the support and promotion of small enterprises on the Cape West Coast (Western Cape Province, South Africa) in order to stimulate greater government involvement in small enterprise development.

The study follows a qualitative approach in the form of interviews with a sample comprising of emerging entrepreneurs in the fishing, tourism, engineering, mining and agricultural economic sectors. On the basis of the findings, specific recommendations are made for the promotion of small enterprises as a vehicle for reducing the level of poverty.

Acknowledgements:

I wish to thank:

- **My heavenly Father, for his grace, support and provision that allowed me to complete this work. May all the glory and honour be given unto Him.**
- **My supervisor, Prof H.H. Ballard, for his guidance, encouragement and support.**
- **Ferdinand Lombard for assistance, guidance, encouragement and relentless support.**
- **My wife, Dawne Juanite for all the encouragement, love, understanding, support and prayers.**

TABLE OF CONTENTS

Declaration	ii
Abstract	iii
Acknowledgement	iv
Table of contents	v
CHAPTER ONE: Background	1
1.1 Introduction	1
1.2 Purpose statement	3
1.3 Research objectives	3
1.4 Significance of this research	4
CHAPTER TWO: Literature review	6
2.1 Introduction	6
2.1.1 Economic development in the pre-apartheid era	6
2.1.2 Economic development and mass participation	8
2.2 The new mandate	10
2.2.1 Local Economic Development (LED)	11
2.3 The importance of Small Business	12
2.4 The National Small Business Act 1996	14
2.5 The role of Local Government towards the development of SMMEs	17
2.5.1 The role of Policy-maker	17
2.5.2 The role of Entrepreneurship Stimulator	18
2.5.3 The role of SMME Development Lobbyist	20
2.5.4 The role of Entrepreneurship Coordinator	22
2.5.5 The role of Entrepreneurship Activator	23
2.5.6 The role of Entrepreneurship Developer	25
2.6 Conclusion	27

CHAPTER THREE: Research Approach and Design	28
3.1 Introduction	28
3.2 The purpose of the research	28
3.3 The process of the research	29
3.4 The outcome of the research	29
3.5 Sampling method	30
3.6 Data collection	30
3.6.1 Interviews	30
3.6.2 Semi-structured Questionnaires	31
3.7 Conclusion	32
CHAPTER FOUR: Qualitative Findings	33
4.1 Introduction	33
4.2 Stimulated Business Environment	34
4.3 Small Business Support	35
4.4 Finance	37
4.5 Market Access and Business Opportunities	39
4.6 Networking and Business Partnerships	41
4.7 Skills Development	42
4.8 Conclusion	44
CHAPTER FIVE: Conclusions and recommendations	46
5.1 Recommendations	48
5.2 Conclusion	56
List of references	57
Appendix 1 - Questionnaire	60
Appendix 2 - Interview questions	70
Appendix 3 - List of Businesses	71
List of tables:	
Classification of Private Sector Enterprises	15
List of figures:	
Figure 1: Current structure of the National Strategy of Small Business	
Development and Promotion	22
Figure 2: Typical operational components of structure of a community	
Enterprise development centre	26
Figure 3: Co-operative/SMME Master Development plan	47

Chapter 1: Background

1.1 Introduction

The White Paper on Small Business development was endorsed in 1995 by the South African National Government to provide the national strategy for the development of small business. Since then, small business development was allocated a high priority for a number of reasons. Firstly, Small Medium Micro Enterprise (SMME) development is seen as an important means to create jobs and income generation opportunities for the previously disadvantaged communities. Secondly, SMME promotion is also a tool of enhancing the Black Economic Empowerment policy of the Government. In addition, SMMEs contribute approximately 30% to the South African Domestic Product (GDP).

The above mentioned White Paper further mandated the provincial governments to develop their own local economic development strategies. Nel and Humphrys (1999:6) refer to the new role that local governments are expected to play to adhere to the White Paper when they have highlight that the importance of local government to take up a “developmental role. It should exercise its powers and functions in a way which maximises the social development and economic growth of communities” (RSA, 1997b:1). However, they stress the need for “legislation for ensuring that local authorities can act legally if they implement their mandated responsibilities“(Nel and Humphrys, 1999:10).

Local and international scholars (Beer and Kearins, 2004; Nel, Van Rooyen and Mohlala, 2002; Caledonian Institute, 1999; Strauss 2005; Szabó, 1996) are all in agreement that local government (commonly referred to as local authorities or municipalities), has a definite role to play in the promotion and growth of new enterprises and job creation. Small businesses enterprises according to Nel, van Rooyen and Mohlala (2002:1), are the “engines” of job creation and local government must be considered the “primary players” in supporting and promoting small business through the creation of a physical and regulatory environment, conducive to the growth of enterprises and the development of entrepreneurs.

Kanter (1995) cited by the Caledon Institute of Social Policy (1999:2) specifically sees the role of local government as creating the “...magnets and glue...” that are necessary for the promotion of healthy and economic prospering communities. Local government thus has the function of creating an environment which attracts entrepreneurs and sustains enterprise development. Szabó (1996:5), who was the regional industry and technology advisor of the

United Nations, argues that true economic transformation at any level is best demonstrated by the performance, behaviour, and efficiency of small and medium sized enterprises.

Prior to 1994, the focus of local government in South Africa was to deliver basic services such as electricity, water, sanitary and waste removal services (Claassen, 1991:139). Local authorities also administered the regulation of street trading and food outlets as now defined in Schedule 4 B and Schedule 5 B of the Constitution of the Republic of South Africa, 1996. The promotion of small business, per se, was not one of these services and therefore the absence of any formal strategy (Adams, 2003:165) for the development and promotion of the sector and as a result, according to Claassen (1990:133) the role of municipalities would be perceived to be “indirect and passive”.

In the absence of a definite economic development role, Le Roux (1990) identifies four possible roles for local authorities with regard to local economic development, namely that of entrepreneurship developer, coordinator, activator, and stimulator. The National Business Initiative (NBI) added the roles of policy-maker and lobbyist (National Business Initiative, undated: 4).

Resources are always scarce, as per the old economic dilemma. The same applies to local authorities and therefore, deliberate choices must be made in applying these limited resources to effectively undertake all of the aforementioned roles.

An informal survey undertaken by the Saldanha Bay Municipality in 2006 has confirmed that a significant number of small enterprises such as street traders, vendors, shebeens and tavern owners successfully established themselves within various municipal areas. Evidence from other official sources such as the Integrated Development Plan of the West Coast District Municipality indicated that a similar situation prevailed in other neighbouring municipalities.

However, in order to sustain the growing population in the West Coast much more is required from the local municipalities in terms of development for the small enterprises. In order to increase the support of local municipalities to small and medium enterprises, it is necessary to assess the extent of their current support.

1.2 Purpose statement

The purpose of this research is to critically analyze the support towards the development of small and medium enterprises by local municipalities within the area of the West Coast District Municipality.

The following questions have been formulated relating to small business support in the rural areas:

- What support services are available for SMMEs?
- How accessible are these support services for SMMEs?
- Are these support services build into the municipal integrated development plan (IDP) and Local Economic Development (LED) strategy?
- What are the critical success factors for improving infrastructure?
- What are the most essential skills needed for small business success?

1.3 Research objectives

Development, especially by means of job creation, has however, been a goal of government, corporates and civil society throughout the post-apartheid era. The role of the SMME sector in this development process has been beyond dispute over the entire world. SMMEs have delivered consistent results in providing opportunities in almost all sectors of the economy. South Africa has now embarked on exposing some of the traditional sectors, which were previously the domain of big corporates, to SMMEs in order to provide exiting opportunities for small enterprises.

The mission statement of most local municipalities, therefore, is to facilitate and ensure the provision of infrastructure, services and support, thereby creating an enabling environment for all citizens, especially for small entrepreneurs, to utilize their full potential and access opportunities, which will enable them to contribute towards a vibrant and sustainable economy with full employment, and thus create a better quality of life for all. In this regard the efforts of local municipalities throughout the country need to be investigated.

The study will therefore investigate the present supporting role of local municipalities in the West Coast District, which comprises of five local municipalities – Swartland (administered from Malmesbury), Berg River (Piketberg), Cederberg (Clanwilliam)

Matzikama (Vredendal) and Saldanha Bay (Vredenburg) – and a district management area (DMA) in the development of SMMEs.

The key purpose of the study is to examine the primary factors impacting on the SMME sector, so as to assess whether the five local municipalities have, in fact, been in support of SMMEs by establishing an environment, which attracts small entrepreneurs and sustains small enterprise development. The study thus critically evaluates the support towards the development of small enterprises by the local municipalities within the West Coast District, Western Cape.

Small enterprises, as defined in this study are surveyed in order to understand their specific needs and the support they required and presently need from local municipalities. Furthermore, an investigation is conducted to identify and investigate the problems and challenges faced by local municipalities of supporting small business development.

Finally, recommendations are formulated to promote the development of small business within municipal boundary of the West Coast District Municipality.

1.4 Significance of this research:

Economic empowerment and growth has become a priority for South Africa as it provides opportunities for greater and broader economic participation for the majority of unemployed and underemployed citizens.

“...small, medium and micro enterprises (SMMEs) represent a sustainable, important vehicle to address the challenges of job creation, economic growth, and equity in South Africa. Throughout the world, SMMEs are assuming a greater rôle in the adsorption of labour, penetration of new markets and generally expanding economies in creative and innovative ways” (Parliament of the Republic of South Africa, 1995: x 3-4). Although corporate companies have dominated the economic sector in South Africa, SMMEs are viewed as an important force to generate more economic empowerment opportunities, as well as a counter for the country’s high unemployment. SMMEs are also viewed as the ideal workplace where individuals can learn a variety of business skills. A positive spin off thereof will be the stimulation of the concept of economic development, which is linked with skills development interventions.

Small business is an important means of survival for many families within the various municipal areas. Given the relatively high rate of unemployment in poorer communities, it has become a political necessity for government to intervene through local government. More and more communities insist that their municipalities play a role in job creation and local entrepreneurs expect municipalities to create an environment conducive to the growth of small businesses to alleviate poverty. Experience in the workplace indicates that most local municipalities struggle to fully understand and implement the full scope of their assigned functions. Municipalities that are serious about playing an active role in growing the local economy must therefore be clear as to the particular role that they want to play. The study therefore aims to make a contribution to improving the ability of West Coast municipalities to support this important local economic sector.

Chapter 2: Literature Review

2.1 Introduction

The study of the researcher focuses on the role of local government and the support towards small business development and specifically local economic development. This focus brings forth the question how the two concepts of economic development and economic growth are linked to one another.

Economic development, on the one hand, refers to the development of the economic wealth of the country. Economic development is aimed at the empowerment of citizens of a country, as they are the ultimate beneficiaries of the development of the economy of their country. Thus, Economic development may be defined as sustained increase in the economic standard of living of a country's population, normally accomplished by increasing its stocks of physical and human capital and improving its technology.

Economic growth, on the other hand, refers to an increase in a country's real Gross Domestic Product, or GDP per capita over a period of time. Thus, economic growth may be defined as an increase in a country's ability to produce goods and services.

The level of economic development is being determined by how the economic growth is distributed amongst the population. Therefore, a country's economy may experience real growth of GDP with no economic development taking place.

As the focus of the study is about economic development at local level and how it is experienced by local citizens, especially emerging entrepreneurs, the next section will explain economic development in the pre-apartheid era and the new mandate of the post-apartheid government.

2.1.1 Economic development in the pre-apartheid era

South African economic development practitioners in the 1980s described the country's economy as a free-enterprise system in which the market, not the government, set most wages and prices. However, the economy was distorted by government policies designed to bolster the economic and political power of a small minority and to exclude many of South Africa's citizens, selected by race, from significant participation in the nation's wealth. The government thus played a major role in almost every facet of the country's economy. The

question is whether the national government should feature as the principle engine of development or not. If not, then what role should the national government play and how should the other spheres of government be involved?

Owens in Todaro (1989:14) argues that “development has been treated by economists as if it were nothing more than an exercise in applied economics, unrelated to political ideas, forms of government, and the role of people in society. It is high time we combine political and economic theory to consider not just ways in which societies can become more productive but the quality of the societies which are supposed to become productive – the development of people rather than the development of things”. However, in the pre-apartheid time of the late 1980s, the government presented a blueprint for economic policy consistent with the history of economic struggle. The central economic strategy advocated a shift toward strongly market-oriented policies, but left room for government intervention in response to social and political demands. The government development process is in contrast with Owens’ statement as the effort was to strengthen export industries to increase value added through local processing of raw materials for export – thus, the focus was more on the development of things.

The government’s main concern since the discovery of gold in 1886 had been the balancing of the growth of the mining industry against the need to diversify, in order to create sustained development and self-sufficiency. Throughout the following years, successive governments tried to spur development and diversification. However, South Africa’s export economy still relied primarily on the gold-mining industry while the government still protected import-substitution industries in order to control the economy. Esman (1991:7) argues that the government “...could and should be the prime mover in economic development”. However, in the pre-apartheid era the government has been the driver of the economy and it has failed most citizens as basic needs were unmet, resulting in hunger, malnutrition, and under-education, especially in rural areas.

Esman, (1991:6) states that “development dimensions include:

- Economic growth: The indispensable material base for a better life.
- Equity: Fair distribution of the fruits of economic expansion
- Capacity: Cultivation of skills, institutions, and inceptions that enable societies to sustain improvements and to cope with fresh challenges
- Authenticity: While learning from foreign experience, the distinctive qualities of each society are expressed in its institutions and practices

- Empowerment: Expanded opportunities for individuals and collectivities to participate and make their influence felt in economic and political transactions.”

Esman, (1991:6) concludes that “...these aspirations are considered both legitimate and achievable on a universal scale especially the framework for inspiring public policies within less developed countries”. Coetzee and Ligthelm, (1993:353) further state that “development is a multi-dimensional process in which the economic factors are important as well as other dimensions such as the social, physical, technical, institutional and ecological aspects”. Thus, it is clear that the fundamental concern of development is people and their needs.

Paul Streeten (in Wilber, 1979:283) argues that “the objective of development is to raise the level of living of the masses of the people and to provide all human beings with the opportunity to develop their potential” (Coetzee, 1989: 2). Based on Streeten’s argument an assumption may be presented, that the apartheid governments’ exclusion of the majority of the country’s citizens has led to the limited economic development.

2.1.2. Economic development and mass participation

Weitz (1986) wrote about the importance of mass participation for ensuring economic development as per community determined needs. Hence, Weitz (1986:151) refers to the “...social dimension of planning – the people, their willingness to embark on the development effort – is the critical force in development”. The view is supported by Coetzee who states that development within a particular country involves millions of people.

Coetzee (1989:2) argues that “...development is deeply related to the awakening of the soul of a society”. Coetzee’s writing, therefore, spotlights the millions in South Africa living in “absolute poverty, making up the immensely high figures of unemployment and underemployment” (Coetzee, 1989:2). In the post apartheid era there seems to be a movement towards operations providing opportunities for mass participation, recognition of social justice, education and skills development, the abolition of poverty and inequality as well as the institution of community development that can lead to social reconstruction.

Coetzee (1989:7) argues that social reconstruction as an over-arching concept “makes provision for principles such as freedom, equality, fraternity, satisfaction of basic needs and a general process of community growth”. In this view, community growth becomes

possible as soon as a cumulative process of directed change starts to influence the total structure. The notion of development, such as economic development, is generally conceptualised as a process of directed changes leading to economic growth and a broad base of social reconstruction. It is in line with this notion that the National Government has developed policies and strategies that promote participatory institutions such as the development of co-operatives.

Lisk (1985:67) commented in his book, *Popular Participation in Planning for Basic Needs* that the "...achievements of co-operatives, despite inescapable difficulties, recommend it as a means of implementing a basic needs-oriented development strategy". Lisk (1985:68) argues that co-operatives can make an important contribution to basic needs satisfaction in the development process in the following ways:

- Defining needs: A successful co-operative movement can effectively influence national planning decisions while each co-operative enterprise members can help determine local decisions;
- Mobilisation of resources: Productivity and output can be enhanced by improving inputs and outlets crucial to rural production (water, seeds, fertilisers, marketing, preservation of produce, processing, and so on. Economies of scale may also be obtained through common ownership and maintenance of equipment, and so on;
- Distribution of benefits: Co-operators and their families can obtain a share of profits previously taken by middlemen; and
- Satisfaction: Effective participation and economic success can generate high levels of satisfaction and self-confidence".

The Co-operative business model is a highly successful business model in the global business environment and is relevant for South Africa as the country is in dire need to develop the masses. The national government sees co-operatives as the vehicle to promote popular participation. This is in line with the concept of community economic development which also embraces broad-based participation as an essential element (Christensen and Robinson, 1989). A strong co-operative movement in South Africa can advance social and economic development by creating employment, generating income, promoting black economic empowerment, and helping to end poverty.

Co-operatives are seen to be a global driver of economic development and growth. The vision of the South African Government's Co-operative strategy remains consistent with the one contained in its Cooperative National Policy (2005). Co-operatives will strengthen

the South African economy by creating a larger number of sustainable economic enterprises in a wider variety of sectors as the policy will focus on “economic transformation and the creation of an equitable society”. As South Africa is also considered to be the most unequal country in the world, one important desired outcome of co-operatives is to “bridge the divide between the first and second economy”.

Therefore, it will be important for local governments to promote co-operatives amongst local communities as a national driver to eradicate poverty and unemployment. The researcher next discusses the new mandate of local governments in terms of economic development.

2.2 The new mandate

A major goal of developing countries such as South Africa is economic development. Nafziger (2006:15) argues that the term economic development refers to “economic growth accompanied by changes in output distribution and economic structure”. Economic growth involves a stress on quantitative measures such as the Gross National Product (GNP), while economic development draws attention to changes in capacities such as the ability to adapt to shifts in technology). In addition, Edwards (2007:210) states that economic growth “...occurs when the amount of resources increases or when technology changes shift the production function upward”. Development is not the development of things; and not about development of infrastructure per se, but about people making use of the infrastructure.

The success of local communities will depend on their ability to adapt to the changing and increasingly competitive environment. The World Bank (2005) points out that at national level the drivers of this change include:

- Macro-economic and political stability
- Fiscal and political decentralization (a worldwide trend)
- Widespread privatization of whole industries and decentralization of government services
- Increasing democratization that brings increasing pressures and expectations from individuals and groups
- National industrial and economic policies
- Industrial incentive schemes
- Taxation and regulatory reform

At national level, the government should primarily focus on economic growth while local government should focus on economic development. Burkey (1993:31) argues for the concept local economic development (LED) when he states that "...every society must find its own strategy". Rogerson (1999:115) also mentions that local economic development has assumed major importance as a policy issue in many developed countries of Europe, North America and Australasia. He stresses the fact that the White Paper on Local Government emphasizes "...the vital need to foster a culture of developmental local government in South Africa, including the promotion of local economic development". However, the reality is that most LED practitioners are currently struggling to find means to integrate their LED initiatives with the Integrated Development Plan (IDP). This situation is in contrast with the DPLG's instruction for "municipality' LED's initiatives to be co-ordinated and initiated within the context of the municipal IDP" (DPLG, 2000c:29).

2.2.1 Local Economic Development (LED)

The World Bank, (2005) has defined Local Economic Development "is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in that specific community". People's participation in development implies empowerment and vice versa (Rowlands, 1995:102). Without empowerment participation becomes ineffective. All the different aspects of empowerment (political, economic and institutional) must be present for participation to be meaningful. The "twin processes of empowerment and participation constitute the basis of a people-centred form of development" (Monaheng, 1998:38). LED is not a thing we do, but a way we do things as in the case of the people-centred approach.

Local economies need to be "robust and inclusive municipal economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives" (LED Guidelines, 2005:15). The Constitution places a responsibility on local government to facilitate LED but it does not list LED as a function of local government. This omission of the LED as a key function of local municipalities within the Constitution has caused many local municipalities to incorrectly interpret that LED is not a mandate of local government but rather that of the national and/or provincial government. The Constitution, however, makes it mandatory for local municipalities to promote Local Economic Development. This promotion takes several forms including: creating favourable economic conditions, building skills, supporting community businesses and promoting opportunity.

It is thus evident that LED is an integrated, multi-disciplinary approach aimed at poverty alleviation through pro poor economic growth. On the one hand LED involves supporting sustainable economic activities in the local municipal areas and, on the other hand, it involves integrating the second economy with the first economy. Central to this approach is supporting Small, Medium, Micro Enterprises (SMMEs) as the source of wealth and job creation. SMMEs are recognised worldwide for their potential to replace the bigger corporate companies as the ideal job creator of the future.

It is evident that small business is of great importance to local economies as stipulated by Ntsika that “the small business sector can play a major role in creating jobs and wealth in any economy” (Ntsika, 1999:16).

2.3 The Importance of Small Business

Kroon and Moolman (1992:129) mention the following reasons for the importance of small business in any country:

- Small Organisations are multitudinous, suppliers of employment and creators of work opportunities, innovators and initiators, subcontractors for large organisations, responsible for the manifestation of the free market system, in many instances the entry point into the business world, playing an important socio-economic role.
- Small organisations can have a multiplying effect on the economy
- Small organisations provide economic stability and a better distribution of economic activities

Siropolis (1997:1) argues that SMMEs are just as vital in the economic supply chain link as the large organisations by stating that “SMMEs enjoy a tradition of infinite variety of solid achievement. It thrives globally, and so vital as SMMEs that few, if any parts of the global economy could go without their products or services. Small business is a civilising influence, rising above any currency to enrich the lives of men and women the world over” (Siropolis, 1997:1). SMMEs are market economies that are the engine of economic development. The strategic importance of SMMEs is today acknowledged around the world for the following reasons:

- SMMEs are contributing to employment growth at a higher rate than large organisations;

- Support for SMMEs will help the restructuring of large organisations by streamlining manufacturing complexes as units with no direct relation to the primary activity are sold off separately;
 - SMMEs curb the monopoly of large organisations and offer them complementary services and absorb the fluctuation of a modern economy;
 - Through inter-enterprise cooperation, SMMEs raise the level of skills with their flexible and innovative nature. Thus SMMEs can generate important benefits in terms of creating a skilled industrial base and industries, and developing a well-prepared service sector capable of contributing to GDP through higher value-added;
 - A characteristic of SMMEs is that they produce predominantly for the domestic market, drawing in general on national resources;
 - An increased number of SMMEs will bring more flexibility to society and the economy and might facilitate technological innovation, as well as provide significant opportunities for the development of new ideas and skills;
 - SMMEs use and develop predominantly domestic technologies and skills.
- (www.unece.org/indust/sme/sme-role.htm:4). Szabò,A (1996).

Unemployment is the major cause of widespread poverty in South Africa. As a result of large-scale unemployment, it was found by Statistics South Africa in 2007 census that almost half of the total South African population falls below the poverty line. As the number of available jobs is decreasing and the number of unemployed people increasing, SMME development is vital. The promotion of SMME is thus imperative, in order to create both short- and long-term capacity for labour absorption and output growth, as well as to improve income generation and redistribution. Rogerson (1999:517) suggests the key area for policy consideration relates to the “activities of the survivalist informal economy, including a range of home-based enterprises and of micro-enterprise activities”. Therefore, each local municipality needs to examine its role as “developmental local government” (White Paper on Local Government; 1998) as stipulated in the Constitution. Le Roux proposes four possible roles for local authorities with regard to local economic development namely that of “entrepreneurship developer, coordinator, activator or stimulator” (Le Roux, 1990: 50). The National Business Initiative (NBI), added the roles of policy-maker and lobbyist (National Business Initiative, undated: 4). One of the roles of government towards small business development is that of regulator as it is responsible for designing and implementing laws and regulations that govern the activities of small business.

The next section deals with the Small Business Act that governs and regulates the activities of small businesses.

2.4 The National Small Business Act 102 of 1996

A number of Small, Medium and Micro Enterprises (SMMEs) was started since post-apartheid and the newly elected national government saw underdeveloped and undeveloped SMMEs as a window of opportunity to address the challenges of job creation, economic growth and equity in South Africa. Integral to the national government's Vision 2014 is to halve the unemployment number in the country. Vital to this initiative, is the promotion of the small business sector.

Therefore, the promotion of the small business sector should be aligned with the integrated small business development strategy. From a broad strategy perspective, The National Small Business Act 102(1996) classifies the Small, Medium and Micro Enterprises (SMMEs) into five categories, based on the size of an enterprise measured primarily in terms of employee numbers and, to a lesser extent, on annual revenues. It should be noted that all these categories fall under the general term "small business", which is used to contrast the SMME sector with the corporate (bigger) sector. Furthermore, the smallest class in the SMME sector is micro enterprises and it is within this class that the terms "survivalist enterprise" and "very small enterprise" are sometimes applied. Therefore, the writer only refer to the definitions of micro, small and medium enterprises.

The following characteristics are extracted from the Integrated Small Business Development Strategy (ISBDS, 2003):

Micro enterprises are very small businesses with less than 5 paid employees, generate an annual turnover that is less than the VAT (Value Added Tax) registration limit of R150 000 per annum. Micro enterprises usually lack formal tax registration, may not adhere to labour legislation and standard accounting procedures, and usually have less than five employees. Micro enterprises include spaza shops, cafés, home-based businesses, mini-taxis and small-scale construction and textile manufacturing.

Small Enterprises are distinguished from Very Small Enterprises by the upper limit on employee size of 50 and, in general, such enterprises use more established business practices and supervision and management structures are increasingly complex. Small

enterprises have usually passed the stage of direct supervision by the entrepreneur and have developed secondary management systems. Growth into a Small Enterprise usually requires an accumulation of resources over time and access to credit.

Medium Enterprises are formal entities with more complex divisions of labour and management structures employing up to 100 persons (200 in the mining, electricity, manufacturing and construction sectors). It should be noted that “although medium enterprises are still owner-manager controlled, the ownership and management is more complex” (ISBDS, 2003: 15). Characteristics that distinguish between small and medium enterprises are the “decentralisation of power to an additional management layer and division of labour” (ISBDS, 2003: 15).

However, the definition of categories of business within the SMME sector is not consistent world-wide, so specific comparison by business size is difficult. The availability of economic data by size class of enterprises is also very poor in South Africa. Ntsika Enterprise Promotion Agency (NEPA) has compiled the most recent data sets on the nature of South African SMMEs. Even these data should be regarded with caution as Ntsika points out that in some instances the Central Statistical Service (CSS: 1993, 1994, 1995) “refused to provide aggregated data by size class” with the result that “some crude assumptions had to be made...” (Ntsika, 1997:12).

Table 1 presents the categories of private sector enterprises by size and type of classifications. The actual number of differentiated enterprises in each sector is indicated together with the percentage of all enterprises in each sector which provides an indication of the dynamics of new entrants into the sector.

Table 1: Classification of Private Sector Enterprises
(See definition of “small business”)

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees <i>Less than:</i>	Total annual turnover <i>Less than:</i>	Total gross asset value (fixed property excluded) <i>Less than:</i>
Agriculture	Medium	100	R 5.00 m	R 5.00 m
	Small	50	R 3.00 m	R 3.00 m
	Very small	10	R 0.50 m	R 0.50 m
	Micro	5	R 0.20 m	R 0.10 m
Mining and Quarrying	Medium	200	R39.00 m	R23.00 m
	Small	50	R10.00 m	R 6.00 m

	Very small Micro	20 5	R 4.00 m R 0.20 m	R 2.00 m R 0.10 m
Manufacturing	Medium Small Very small Micro	200 50 20 5	R51.00 m R13.00 m R 5.00 m R 0.20 m	R19.00 m R 5.00 m R 2.00 m R 0.10 m
Electricity, Gas and Water	Medium Small Very small Micro	200 50 20 5	R51.00 m R13.00 m R 5.10 m R 0.20 m	R19.00 m R 5.00 m R 1.90 m R 0.10 m
Construction	Medium Small Very small Micro	200 50 20 5	R26.00 m R 6.00 m R 3.00 m R 0.20 m	R 5.00 m R 1.00 m R 0.50 m R 0.10 m
Retail and Motor Trade and Repair services	Medium Small Very small Micro	200 50 20 5	R39.00 m R19.00 m R 4.00 m R 0.20 m	R 6.00 m R 3.00 m R 0.60 m R 0.10 m
Wholesale Trade	Medium	200	R64.00 m	R 10.00 m
Commercial Agents and Allied Services	Small Very small Micro	50 20 5	R32.00 m R 6.00 m R 0.20 m	R 5.00 m R 0.60 m R 0.10 m
Catering, Accommodation and other Trade	Medium Small Very small Micro	200 50 20 5	R13.00 m R 6.00 m R 5.10 m R 0.20 m	R 3.00 m R 1.00 m R 1.90 m R 0.10 m
Transport, Storage and Communications	Medium Small Very small Micro	200 50 20 5	R26.00 m R13.00 m R 3.00 m R 0.20 m	R 6.00 m R 3.00 m R 0.60 m R 0.10 m
Finance and Business Services	Medium Small Very small Micro	200 50 20 5	R26.00 m R13.00 m R 3.00 m R 0.20 m	R 5.00 m R 3.00 m R 0.50 m R 0.10 m
Community, Social and Personal Services	Medium Small Very small Micro	200 50 20 5	R13.00 m R 6.00 m R 1.00 m R 0.20 m	R 6.00 m R 3.00 m R 0.60 m R 0.10 m

Added to the determination of the categories, the National Small Business Act 102 of 1996 of South Africa has also included entities, which introduces a social dimension to economic development as it defines small business "as a separate and distinct entity including co-

operative enterprises and non-governmental organisations, managed by one owner or more” (National Small Business Act 102; 1996:2). Therefore, it is important to understand how these two entities are also promoted and supported within the West Coast as it can balance social development and economic development within the program of SMME development.

The balancing of the social and economic development is foundational to the African renaissance and local governments need to align their policies to define their roles to promote economic development as discussed by Le Roux (1990).

2.5. The Role of Local Government towards the development of SMMEs?

Mawson (2002) and, Binns and Nel (1999) emphasize the role of Local Government to take up a “leadership role, involving citizens and stakeholder groups in the development process”, to build local learning communities that will explore local opportunities for sustainable development. Therefore, Local government must “promote the social and economic development of the community” (ibid., Section 153).

2.5.1 The role of Policy-maker

Strengthening the role of SMMEs is one of the most important challenges currently faced at the West Coast. The integrative roles of the local municipalities within the West Coast have to be continuously evaluated and re-defined within the framework as mentioned by Le Roux (1990) and the national Business Initiative. It is therefore imperative to look at the call for coordination, cooperation and the national strategy framework of the national government to support the development of SMMEs in South Africa. The Department of Trade and Industry (DTI), the lead department for SMME development, suggests that a developed SMME sector in South Africa can address the two issues of job creation and increasing wealth equity.

It is thought by the DTI that the essential missing elements needed to empower the SMME sector can be developed through the provision of generic business services and training, along with greater access to credit. Toomey suggested that “the need for such training and access to credit arises from the legacy of apartheid which hindered natural small enterprise development” (Toomey; 1998:88). Toomey also referred to DTI’s 1997 publication, which

mentioned that “massive and rapid job creation (300 000 - 500 000 new jobs per annum until 1999) was the intended goal of support for the SMME sector” (Toomey; 1998:88).

In the publication the DTI estimates that more than 4.3 million persons are engaged in some kind of SMME activity, including those involved in survivalist businesses, fully one quarter of the labour force of 15 million people (DTI, 1995). In addition to its job creation potential, entrance into the SMME sector is viewed as a significant vehicle for black empowerment. The White Paper (1999:12) emphasises that the “SMME has proven to be a highly significant vehicle for black economic empowerment”. It is, therefore, vital to ensure that a proper support network exists for small enterprises to succeed. Local governments and SMME development agencies need to take note of the SMME support strategy as proposed by DTI. The national White Paper has delineated a seven-step process leading up to implementation of a SMME support strategy as follows:

1. Awareness building
2. Needs identification and implementation planning
3. Resource identification
4. Strengthening the business and entrepreneurial culture
5. Training of support agency staff
6. Setting goals for the national strategy
7. Stating fundamental principles of SMME development and support.

The researcher is of the view that - with the appropriate enabling environment - SMMEs in this country can follow these examples and “make an indelible mark on this economy” (Government of South Africa, 1996a:12). Local Governments should then take it to task to stimulate an environment and culture for entrepreneurship.

2.5.2 The role of Entrepreneurship Stimulator

SMME Development is a very important driver that addresses the requirements for economic development. The local municipalities of the West Coast District have taken the responsibility to deliver on the economic development mandate by determining the economic development strategies and economic sector growth thrusts. Supporting these documents was the agreement being reached on the West Coast Growth and Development Summit (GDS, 2007) between government departments, local municipalities, business and civil society.

As the ideal relationship is already being established, local governments need to implement the various Acts, which should guide their actions. The Southeast Europe Enterprise Development (SEED, 2001:2) supports this notion of local dimension. SEED argues that “a range of factors determining the extent and success of entrepreneurship have a local dimension, being affected by the local economic and social environments and/or best supported by initiatives conceived and implemented locally: local financial institutions with special arrangements for small businesses, business incubators and extension services” (SEED; 2001:2).

Employed strategies such as business incubators have stimulated SMME growth in the USA. Arzeni (1998) notes that business incubators are “a popular instrument for stimulating entrepreneurship and local job creation by providing managed workspace start-ups, pooling resources in terms of services, facilities and equipment and concentrating the supply of utilities geographically”. The Business Enterprise Entrepreneur Support (BEES, 2005) has made a study on the impact of municipal regulations on SMME’s. BEES has suggested that local governments should conduct a thorough audit of existing physical utilities and economic resources before locating business incubators.

However, it is very important that this local dimension for SMME stimulation should be identified with the local government (municipality). For example, the Property Rates Act extends significant latitude for determining the “level of the rates and granting relief to specific property owners by exemptions, rebates, reductions” (Section3 (3)(b)(ii & iii) read with Section 3(6)). For some large-scale development programmes, such as Aqua-Culture that covers all municipalities within the West Coast District, it would be necessary to join efforts to provide geographical coverage and critical mass of resources.

Added to providing physical infrastructure and geographical coverage, Le Roux (1990) believes that local governments are in the ideal position to stimulate small business growth by attracting new corporates to the area and develop a more balanced structure of local economic activities. However, local governments will need the support of community development organisations to change local communities towards a more liberal and open community, eager to build the sense of self-consciousness and trust along the vision and strategy of improved economic and social well-being.

In her book *World Class: Thriving Locally in the Global Economy* (1995), Kanter writes that local communities need magnets and glue where “magnets” refer to the “factors which attract a flow of external resources such as new companies and new people to renew and

expand skills, and contribute to the economic health of the region” (Opportunities 2000:1). However, local communities also need “glue” to hold them together, which refers to “social infrastructure to solve problems and promote the economic and social well-being of all their members” (Opportunities 2000:1). It is therefore imperative that local government should employ the public-private partnership (PPP) strategy. All involved need to work together when creating this vision and strategy for improved economic and social well-being.

Linked to the SMME stimulation process is the lobbying for SMME growth and opportunities for business development by big businesses, government departments and the local government itself. Local governments are in a unique position to lobby for opportunities for SMME development in all economic sectors in order to create favourable economic conditions.

2.5.3 The role of SMME Development Lobbyist

The National Framework for Local Economic Development (LED) in South Africa requests local governments to be actively involved in SMME development as well as be robust in lobbying for SMME support and opportunities. SMMEs should be linked up with external support initiatives, projects and programmes. They should have reliable, fast and easy access to information and be guided on how to take full advantage of incentives. Kearins and Beer (2004) highlight the involvement of local government where the SMMEs in their study “felt that local government participation in the program equated to local recognition of their efforts in business, and provided them with an opportunity to contribute to their local community” (Kearins & Beer; 2004:6).

Local governments have to lobby for a participatory approach in terms of SMME development. A participatory approach involves the inclusion of different stakeholders so that their views, concerns and issues can be included in the planning process. It is also important because it is here that “networks, partnerships and information sharing occur that make better, more practical, strategies possible” (HABITAT; 2005:8) Stakeholders can include the:

- “Public sector (local, district, provincial, national governments),
- Business sector (corporations, small business, informal sector, banks, credit unions)

Community (Non-governmental organisations, community leaders, civil society, neighbourhood groups, religious organisations, women's groups, environmental groups)"
(UN-HABITAT; 2005:8)

This lobbying for a participatory approach will give substance to the public-private partnership model, which is strongly recommended by national government. Partnerships between the public and private sector and local government represent an effective and efficient approach to implementing LED strategies in local communities and are essential in many LED actions such as the Black Economic Empowerment (BEE) programme. In the Small Business Promotion: Draft Second Paper, Orford and Wood (2003) state that public private partnerships "can play a key role in addressing some of the gaps in private business development service provision and at the same time can avoid the traditional failings associated with public service delivery" (Orford and Wood; 2003:21).

Ackron (2004) agrees with Orford and Wood in his research of approaches towards business support. Ackron states that the two major categories of services constituting business development support are "Business development services (BDS) and Financial services" (Ackron; 2004:37). According to Ackron business development service should include both the following elements:

- "Developmental business services" comprising those services that private for-profit business service providers are in any given circumstances unwilling or unable to offer but that are in demand by the emergent business community; and
- "Commercial business services" comprising those services traded between willing buyer and willing seller in the market.

It is clear from Ackron's research that he urges local governments to play an advocacy role of the business community as a whole and should lobby for purchasing and procurement arrangements in support of, or directed to benefit, target businesses or categories of business (Ackron: 2004:39).

With respect to the financial services, it appears that access to finance is a major obstacle experienced by the small business sector. Although the Department of Trade and Industry has established various financial products including products that meet SMME requirements, there are still key failures for SMME financing. These have being identified as:

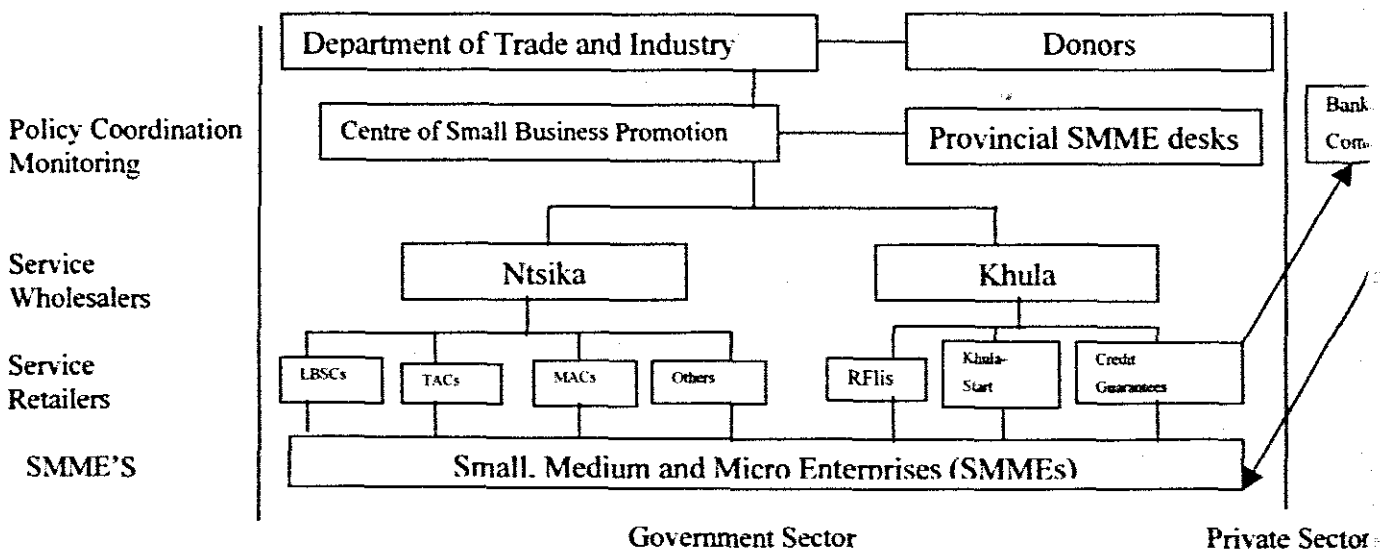
- Limited availability of risk capital for start up and early stage businesses
- Insufficient lending activity in poorer province and township areas
- Market preference for high loan sizes (above R250 000,00 per loan)
- High cost of finance facilities (Department Provincial and Local Government; 2006:29)

In his 2008 budget speech then National Minister of Finance, Trevor Manuel mentioned that the Government will support greater access to equity for small and medium sized enterprises. Local Governments should capitalize on this as it is the belief that a key condition for successful SMME support programmes is commitment from national human and financial sources. A major role is accorded to this budget complemented by local government and authorities and financial institutions (Szabó; 1996:6). In view of this, the coordination role of local government is discussed in the next section.

2.5.4 The role of Entrepreneurship Coordinator

The national government established the Centre for Small Business Promotion (CSBP) at national level, which is responsible for all policies related to small businesses and supports programmes that are directly and indirectly assisted by government. The figure below highlights the institutional frameworks that were created by the National Strategy in order to realize the critical national objectives of job creation, income generation and economic growth:

Figure 1. Current Structure of the National Strategy of Small Business Development and Promotion



Source: (Ladzani; 2001:4)

The CSBP also gave a directive to all the nine provinces to form Provincial SMME Desks at provincial level. Together these bodies mentioned above have to coordinate the implementation of the framework. The Department of Trade and Industry (DTI) employed an international consulting firm, the CARANA Corporation and two South African consulting firms (Upstart Business Strategies and MSS consulting group) to evaluate the implementation process. The Carana report highlighted a lot of disappointing findings which (Ladzani; 2001) ascribes to South Africa's "dearth of entrepreneurial tradition and culture among the previously disadvantaged populations, as well as the lack of basic education and management experience needed to run successful businesses" (Ladzani; 2001:10). One of the disappointing findings is that the "National Strategy is seen as leaderless and not effectively coordinated" (Carana Report; 1999:6). Examples given for this finding include: no coordination between Ntsika, Khula, CSBP; very limited communication or policy coordination between the CSBP, Ntsika and Khula; no coordination between CSBP and other government departments working with small businesses.

The researcher, however, supports the call of Akron (2004) for Local Economic Development Agencies (LEDAs), which "are proving to be an increasing force for the support of local businesses and disadvantaged regions and communities in product development, marketing, improving local competitiveness and exploiting the advantages offered to communities by globalisation" (Akron; 2004:97). According to Akron's research, LEDAs have to work with local governments to coordinate local economic development planning and implementation. Whilst the "public and private sectors participate, the LEDA is not accountable to individual parties but to a general assembly representing community interests" (Akron; 2004:98).

Local governments can use their Integrated Development Plans (IDPs) as an important tool to coordinate the function of such a LEDA within its development plans. The IDP provides a mechanism for coordinating LED strategies with other development strategies adopted by local government. Mawson (2002:924), therefore, argues that it is essential that "...LED planning should be closely linked to the IDP to avoid duplication".

2.5.5 The role of Entrepreneurship Activator

The principle of lead by example fits the equation if local governments want to show their commitment towards SMME development. The White Paper requires local government to

pursue economic development primarily through the re-alignment of its core functions, namely land use planning, service delivery, development and regulation.

Essentially, local governments should involve emerging SMMEs (including NGOs, NPOs, etc) when developing their IDP regarding its SMME development strategy. This process is then followed by the LED planning as the Act 32 of 2000 (1) states that “LED planning is part of the IDP and must therefore be consistent with and form an integral part of the IDP”. Therefore, LED planning must inform the IDP and the IDP must serve the LED. It is understood that local governments play a strategic planner and mentoring role in LED, but it is communities and other stakeholders who are the actual implementers of LED initiatives. However, local councillors have to activate the IDP implementation plans to support the SMME development strategy. They have to improve the flow of information and use its position to leverage private sector and industry based support for small businesses.

Complementary to the IDP and LED roll out plan, which provide support to the small business sector, the Preferential Procurement Policy Framework Act (No.5 of 2000) gives effect to Section 217 (3) of the Constitution by providing an ideal framework for the implementation of the procurement policy contemplated in Section 217 (2) of the Constitution. This Act seeks to promote economic empowerment through the application of a price preference in favour of categories of persons, or categories of persons historically disadvantaged people as identified by the national government policies. Small businesses form a substantial part of this category. This Act has a direct bearing on the local government’s developmental responsibility in the social and economic development of local communities. Municipal officials have to understand their role in meeting the objectives as set out in the IDP and use the preferential procurement policy to add value to the SMME support programme.

Within the Western Cape Growth and Development (GDS) Agreement, the constituencies have agreed that all local procurement policies will serve a number of objectives including: “saving and creating jobs, broad-based black economic empowerment, Co-operative development, Small Enterprise promotion, and growing the local economy” (GDS; 2003:13). Therefore, as local governments activate their IDP and LED plans, they need to understand how they may assist emerging entrepreneurs to development their small businesses. The next section deals with how local governments can develop entrepreneurial activities within its municipal area.

2.5.6 The role of Entrepreneurship Developer

The characteristics of developmental local government identified in the White Paper on Local Government are:

- Maximising social development and economic development
- Integrating and coordinating
- Democratizing development
- Leading and learning

In addition, the DPLG suggested seven interrelated strategies that are commonly used to “transform local economies, to eradicate poverty, to promote job creation and to redistribute incomes”. These strategies are as follows:

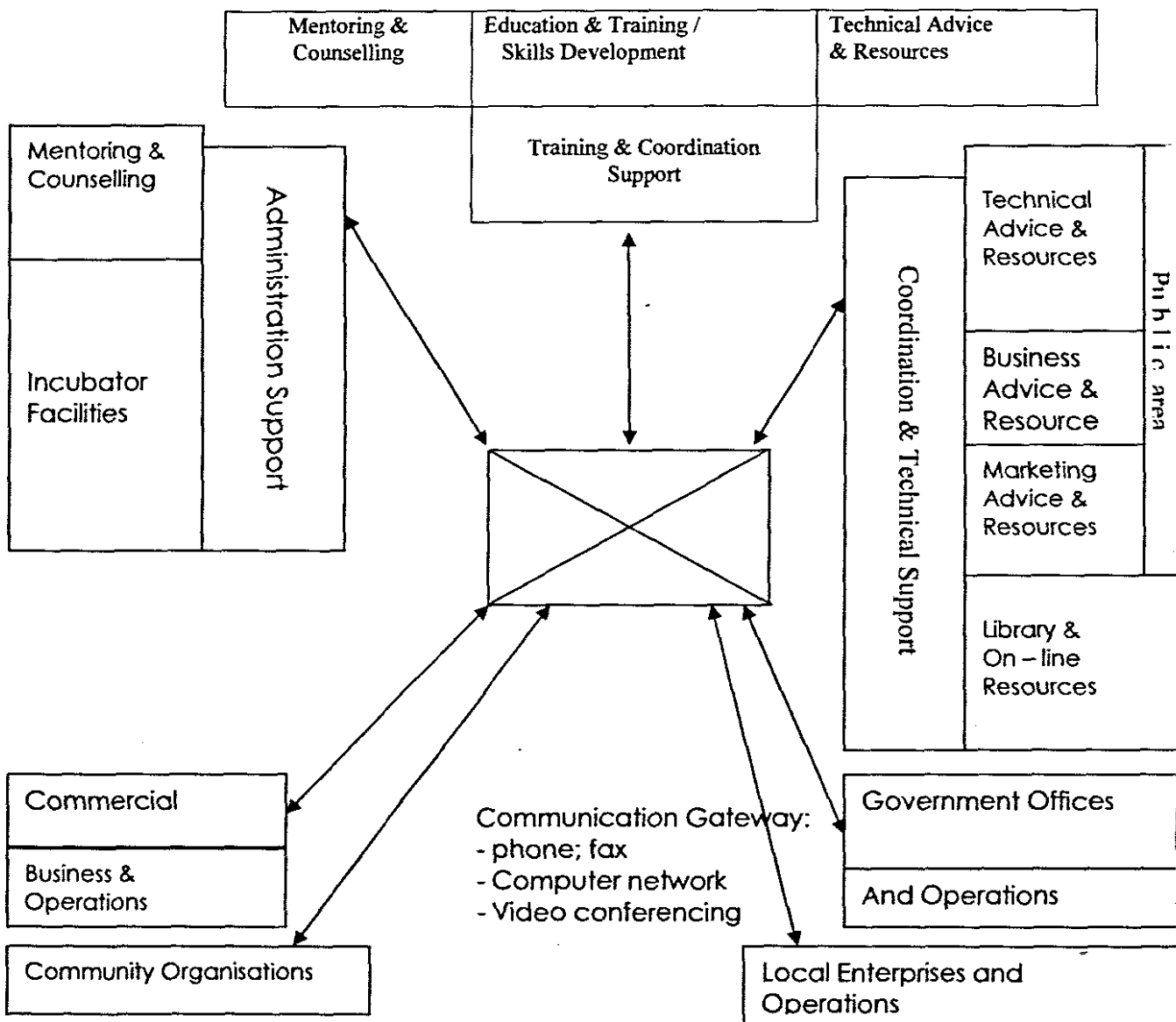
- Development and maintenance of infrastructure and services
- Retention and expansion of existing business
- Plugging the leaks in the local economy
- Development of human capital
- Community economic development
- SMME Development
- Investment attraction and place marketing

www.dplg.gov.za/html/progs/led.htm:3

Ackron (2004), therefore, proposes the use of “community enterprise development centres to stimulate and activate entrepreneurial activities” in line with the LED plans (Ackron; 2004:105).

TYPICAL OPERATIONAL COMPONENTS OF STRUCTURE OF A COMMUNITY ENTERPRISE DEVELOPMENT CENTRE

Figure 2.



Source: (Ackron; 2004:105)

These centres provide physical and/or virtual focal points for enterprise- and entrepreneurial activities in the communities. Furthermore, it will also provide visible, local and accessible “first stop/one stop” portals for information, access to local business communities (Ackron; 2004:106).

These centres can also be used as community learning centres where skills development programmes are employed. As both local councillors and municipal officials have to develop their own expertise around SMME support, local governments will also have to educate the public on the impacts of business-related development and create a plan that is consistent with the values of local citizens. Furthermore, local governments can support the development of an appropriate skills base as per determined growth economic sectors for their respective municipal areas.

2.6 Conclusion

It appears that the researchers are in tune that for small business to grow, especially the upcoming entrepreneurs, local government should create the conducive environment which will provide physical and focal points within local communities to commence entrepreneurial activities. The development of small businesses, therefore, should be a critical component of the Integrated Development Plans (IDP). In addition, a workable framework seems to be of vital importance to effectively control and monitor Local Economic Development (LED), which is guided by the IDP. Small businesses are considered primary players in the development of the local economy and local governments should ensure that small businesses enjoy such support to fulfil its purpose within the local economy.

Therefore next chapter will focus on the research approach, design and methodology to investigate the current practice, which is employed by the local government to support the small businesses at the West Coast. As discussed in the first chapter, the key questions which will bring forth some meaningful conversations during the research include:

- What support services are available for SMMEs?
- How accessible are these support services for SMMEs?
- Are these support services build into the municipal integrated development plan (IDP) and Local Economic Development (LED) strategy?
- What are the critical success factors for improving infrastructure?
- What are the most essential skills needed for small business success?

The questions above will also provide some themes, which will guide the process of the collection of data.

Chapter 3: Research Approach and Design

3.1 Introduction

The methodology, which the researcher will employ mainly comprised of a qualitative approach. According to Strydom (1998:54) qualitative research has as its main characteristic the “narrative” as a means to gain evidence. Strydom argues that qualitative research has its roots in the “naturalistic approach” (Strydom; 1998: 54). This approach holds the point of view that natural phenomena must be studied, which I understand as the study of the spontaneous and natural behaviour of people in their natural environment.

Denzin and Lincoln (1998) support Strydom’s statement when they say that qualitative research “explores phenomena (people, things) in their natural contexts and attempts to understand which meaning people attach to their context” (Denzin & Lincoln; 1998:3). Thus, it is clearly a study of people in everyday life. Therefore people’s own words, feelings, terms, experiences and behaviour are very important.

Welman and Kruger (1999:46) define the research design as “...the plan according to which we obtain research participants (subjects) and collect information from them. In it we describe what we are going to do with the participants with a view to reaching conclusions about the research problem.” In order to gather the required information to respond to the research objective, the researcher had to determine the type of research to be employed.

The different types of research can be classified by its purpose, its process and its outcome. In this chapter all three types are explained:

3.2. The purpose of the research

The purpose of academic research can be classified as either exploratory, descriptive, analytical or predictive. The descriptive type was adopted to determine how the small, medium and micro enterprises are supported by the local municipalities.

The purpose of the research is to describe the current phenomena as they currently exist. The researcher has decided to use the descriptive research approach as the focus is on

individual subjects and the aim is to go into great depth and detail in describing the support they receive.

The researcher has also decided to use the case study research method to obtain relevant information. It is apparent that Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods. Researcher Robert K. Yin (1984:23) defines “the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”.

The descriptive method will then be followed by the predictive research as the writer wilfully engages in questions around the ideal practice to stimulate local economic development as well as economic growth. Literature indicates that predictive research provides ‘how’, ‘why’, and ‘where’ answers to current practice.

3.3 The process of the research

The process of research to obtain the data will be a qualitative approach as this approach is by definition descriptive. It involves collecting, analyzing and interpreting data by observing what people do and say. The researcher views the phenomena to be investigated as more personal and softer. The writer will use methods such as personal accounts, unstructured interviews and participant observation to gain an understanding of the underlying reasons and motivations for peoples’ attitudes, preferences or behaviours. The qualitative approach, the emphasis is more on generating hypotheses from the data collection rather than testing a hypothesis.

Another motivation for doing qualitative research, as opposed to quantitative research, comes from the observation that, if there is one thing that distinguishes humans from the natural world, it is our ability to talk.

3.4 The outcome of the research

The writer will be adopting the applied research approach as he will study a developmental-oriented issue, which intends to evaluate as well as to provide recommendations to solve a specific problem that requires a decision, for example in this case, the improvement of

support for SMME development. The writer will also attempt to recommend a framework and workable plan to ensure a turn-around in the current practice.

3.5 Sampling method

The writer has decided to use the purposeful sampling approach, which is the dominant strategy in qualitative research approach. Patton (1990:169) describes purposeful sampling as the method that “seeks information-rich cases which can be studied in depth” (Patton, 1990:169). Therefore, the writer has identified twenty-seven specific small businesses within six different economic sectors, which were determined as vital growth sectors for the West Coast District economic growth strategy.

3.6 Data Collection Techniques

The writer has used the two prevailing forms of data collection associated with qualitative inquiry, which are interviews and observation, and questionnaires.

Interviews were held with all twenty-seven SMMEs and other relevant stakeholders, such as municipal manager, IDP and LED managers to brief them on the purpose of the research.

The researcher also went to the workplace to observe the operational side of the businesses to get an understanding of work processes. The purpose of these observations was to provide some input towards the questionnaires, which were also forwarded to the businesses.

Follow-up meetings were held to get some clarity on the answers received from the questionnaires.

3.6.1 Interviews

Patton (1990) also wrote about three types of qualitative interviewing, which include:

- 1) informal, conversational interviews;
- 2) semi-structured interviews; and
- 3) standardized, open-ended interviews”.

The writer has used all three types of qualitative interviewing approaches. The questions for the semi-structured interviews were designed from the themes, which came to light

during the informal interviews. The themes indicate the major obstacles for SMME growth and development, which include marketing, finance, skills and infra-structure development.

Interviews were held with the various local municipalities' officials, representatives of the Business Chamber, members of the BEE Forum, officials of the RED Door/SEDA (Government Agencies) and seasoned business mentors.

3.6.2 Semi-structured Questionnaires

The writer has received twenty-seven (27) semi-structured questionnaires from participant SMMEs and stakeholders. These SMMEs represented various economic sectors, as previously mentioned the growth and development economic sectors for the West Coast District. These economic sectors comprise of:

- Agriculture
- Fishing and Aqua-culture
- Tourism (Eco-tourism)
- Construction
- Mining
- Manufacturing (Oil and gas)

Each participant was provided with a thorough overview of the questionnaire to ensure full understanding and to minimize error.

The questionnaires mainly covered the themes, which were used during the interviews. The researcher was also guided by the content of National Small Business Act (2006) to design his questions.

The data obtained from the questionnaires were then organised by coding the questions to prepare them for data capturing.

3.7 Conclusion

The data collection brought forth some critical themes, which include:

- Stimulated Business Environment
- Small business support
- Access to finance
- Market access and business opportunity
- Networking and Business Partners
- Skills Development

The findings will be discussed under these themes in the next chapter.

Chapter 4: Qualitative Findings

4.1. Introduction

The researcher has used the content of the National Small Business Act 102(1996) as the guiding document in the study. The common problems faced by SMMEs, which the national government's strategy wishes to address include: an unfavourable legal environment, lack of access to markets and procurement; lack of access to finance and credit; low skills levels; lack of access to information and the shortage of effective supportive institutions.

As discussed in Chapter One and Two, the South African government regards small business development as a high priority for economic development and economic growth. The Department of Trade and Industry, which is the lead department for SMME development, therefore issued a White Paper in 1995 entitled: "A National Strategy for the Development of Small Business in South Africa (May 1995)", which was followed up with the passing of the National Small Business Act (2006) by Parliament, which provided for institutions to implement this strategy.

The government's National Small Business strategy seeks, further on, to address common problems faced by SMMEs. These problems refer, amongst others, to an unfavourable legal environment, lack of access to markets and procurement, lack of access to finance and credit, low skills levels, lack of access to information and shortage of effective supportive institutions.

Research evidence shows that small businesses have to be fostered because of their great potential and value in creating employment, achieving equitable income distribution, alleviating poverty, building up local technological base, promoting participation of vulnerable groups, providing training ground for entrepreneurial and managerial skills, providing opportunities for use of own capital resources, and acting as ancillaries to large-scale businesses. The South African government has, therefore, realized the importance of small businesses and launched comprehensive and effective policies to promote them.

The implementation of these policies has, however, to take place at local government level. The second National Small Business Conference organised by the DTI in 1998 focused, in this respect, on the role of local government in SMME support. Local councils, for example, do procurement and sometimes form partnerships with business to deliver

services. The Local Economic Development approach, thus, encourages local government to also play their role in promoting small business.

The current research, therefore, aims to critically evaluate the support towards the development of small enterprises by the local municipalities within the West Coast District, Western Cape. During interviews with stakeholders in local economic development (LED) and the pre-selected small businesses, certain themes arose during the conversations, which will be discussed in the following sections.

4.2. Stimulated Business Environment

A general response from all the respondents in the survey indicated that the stimulation of local sourcing needs to be through the appropriate application of public procurement programmes. They, further, commented that an ideal “initiative would be for local governments to institute a regular monitoring of local SMMEs in order to understand their problems and potentially to address their support needs”. The current set of SMME policies acknowledges, in this respect, that the creation of a stimulated and an “enabling environment” for rural SMME development is not enough. There are several factors or constraints that could limit the response of the rural SMME economy to new opportunities and require targeted intervention.

Four sets of obstacles are recognised (ILO, 1995) within the SMME sector. In the first place reference is made to market signals in rural areas which are not reached due to gaps in communication, entrepreneurs who are illiterate or semi-literate or the channels of information simply not existing or working. Secondly there are entrepreneurs who are unable to respond to market needs due to market imperfections in terms of banks, support services, training or technology sources being unavailable or inaccessible. Thirdly, support service providers who are too sensitive to the requirements of the rural SMME economy or do not have the capacity to respond to their needs. Lastly rural entrepreneurs have limited technical or business management skills, which constraints their ability to respond to new opportunities or changes in market conditions.

To overcome these constraints, there is an important role, which the local government can fulfil, such as supply side interventions as well as other policy initiatives, expanding rural infrastructure (roads, transport, power, communications), and setting up BEE Hives, which would enable rural entrepreneurs to acquire information on markets, technologies and

inputs, marketing their outputs (including through sub-contracting) and upgrading their technologies (ILO, 1995).

Arzeni (1998) agrees with these supply side interventions when noting that business incubators are “a popular instrument for stimulating entrepreneurship and local job creation by providing managed workspace start-ups, pooling resources in terms of services, facilities and equipment and concentrating the supply of utilities geographically”.

One respondent specifically noted that “the local economic development unit needs to facilitate the establishment of a local economic development agency to facilitate and monitor SMME growth”. The researcher finds statements like these as evidence that entrepreneurs expect local government to play a vital role in the development of small businesses. Ackron (2004:105), in terms of developmental local governments, proposes the use of “community enterprise development centres to stimulate and activate entrepreneurial activities” in line with the Local Economic Development plans.

The infrastructure in the West Coast seems to be insufficient to create a much needed stimulated environment for SMME promotion. This observation corresponds with the research finding, which highlights the weak capacity of all five local governments to undertake and energise programmes for Local Economic Development. In fact, it seems that Local Economic Development planning within all five local B-Municipalities, due to its unfunded mandate, does not receive proper attention. The survey has also revealed that rural SMMEs receive little institutional support, particularly as compared to SMMEs in urban areas.

The researcher, therefore, has found it necessary to investigate the current support, which the local SMMEs receive at the West Coast.

4.3. Small Business Support

SMME development necessitates an enabling environment and a strong support base. Therefore, a highly skilled local government management team with a developmental mindset and councillors who understand the country’s constitution and SMME strategy and policies are needed. A heartfelt finding of all five local municipalities in the research is that none of the B-Municipalities considers issues of local economic development as a priority issue. This reluctance of the municipalities to drive the LED strategy is prevalent to the low

support base for SMMEs. Establishing new SMMEs is deemed insignificant and it is argued by the respondents that this is due to “lack of local visionary leadership”.

In this respect, the Constitution and the White Paper on Local Government seem to pose certain challenges for local governments in South Africa. Local governments are tasked by Section 152 (c) of the Constitution to “promote social and economic development”. Local government therefore has to shed its service-oriented role and replace it with a developmental role. Ackron (2004:39), further, urges that local governments should play an advocacy role of the business community as a whole and lobby for purchasing and procurement arrangements in support of, or directed to benefit, target businesses or categories of business. Kearins and Beer (2004) have also found in their research that there are local governments actively involved in SMME development. In their study the interviewed SMMEs have “felt that local government participation in the program equated to local recognition of their efforts in business, and provided them with an opportunity to contribute to their local community” (Kearins & Beer; 2004:6).

However, during interviews with local government senior officials and councillors in the West Coast, the Municipal Manager mentioned that “Local Economic Development is not a mandatory function of local government and they, therefore, do not budget for LED as such”. Statements like these could be an indication of a lack of understanding and interpretation of the Constitution, which requires local government to support small businesses. The only support in the boundaries of the West Coast comes from the Red Door and a Local Business Service Centre. Both entities function as a walk-in advice and referral centre and provide a network of local information access points through which it is able to disseminate information and advice to small businesses.

All the case study SMMEs are aware of the services of these two support centres but have not approached the centres for support as their understanding is that these two centres are for new start-up entrepreneurs. However, disappointments were expressed towards variously the “absence of a strong local economic development unit”. Access to national government support programmes for them has been difficult, in part because of the bureaucratic procedures and also due to this weak support base and lack of awareness of potential sources for support. It was clear from the interviews that these small businesses are isolated to the extent that they are largely unaware of any potential sources for support of their enterprises.

Both the LBSC and Red Door are not local government initiatives, but it was expected that these two agencies will form an integral part of local municipalities' SMME support programme. However, it appears that the only working relationship is the attendance of planning meetings by invitation. No joint actions come from these planning meetings and as such, each entity works independently with its own agenda. It appears that all five local municipalities also fail to perform a supportive role to the activities of the two agencies.

The local municipalities' failure to support these two centres has also led to another constraint on SMME development which relates to the weakness of a "social capital". This concept is a fundamental aspect in the success of local economic development. The Western Cape Provincial Government refines this philosophy in its integrated shared-growth vision and strategy, Growth and Development Strategy. Social Capital Formation is one of the lead strategies and informs all the work of the Provincial Government. Keeping the limited funds within local communities is one of the advantages of building social capital, which is to the greater good for SMME development.

Social capital refers to networks that facilitate mutually beneficial co-operation within local communities. Kanter writes that local communities need magnets and glue where "magnets" refer to "factors which attract a flow of external resources such as new companies and new people to renew and expand skills, and contribute to the economic health of the region" (Opportunities 2000:1). However, local communities also need "glue" to hold them together, which refer to "social infrastructure to solve problems and promote the economic and social well-being of all their members" (Opportunities 2000:1). The role of local government seems to be indissoluble in building social capital.

As social capital is crucial for SMME development, it is also essential for social cohesion and promotes community participation. However, the case studies have indicated the absence of a social capital at the West Coast, which is also an indicator for an ineffective SMME support base.

4.4 Finance

Lack of access to finances continues to be the major problem faced by emerging entrepreneurs. Respondents have made it clear that they have received no help from local government nor government institutions in accessing finance to develop their small businesses. According to Murphy (1996:16), there is the question of whether the allegation is true that government has done little to support small business in South Africa. The nature

of government support has been the subject of much small business discourse as it has been argued that there has been limited financial support, a lack of coherence regarding policies and procedures and those multi-agency provisions have done little to help small businesses.

This has been one of the biggest challenges the government has faced and one of the areas where government has received a lot of criticism. It is not that the support institutions that were established have not done well – it appears that Khula has done very well - it is rather that the impact and reach have not been great enough. There are many challenges in the approaches that are being used to support finance for SMMEs but we are committed to finding solutions to these problems. The government has again recognised the need to develop a special focus for small businesses and it will also be looking at how government can make an intervention that is far reaching to ensure that micro-enterprises have access to finance.

Ackron(2004:39) proposes that local government, “with respect to the financial services should lobby for improved access to finance for SMMEs”. This is also confirmed in the research of SEED that argues that “a range of factors determining the extent and success of entrepreneurship have a local dimension, being affected by the local economic and social environments and/or best supported by initiatives conceived and implemented locally: local financial institutions with special arrangements for small businesses, business incubators and extension services” (SEED; 2001:2). The Department of Trade and Industry (DTI) has been through a long process of identifying the problems in financing for SMMEs and is currently looking at resolving some of these problems and filling the gap. It is clear that if there is market failure in responding to this part of the SMME sector then local government should be intervening.

The small businesses, which have been interviewed, have not successfully applied for finance through either government institutions nor commercial banks. Formal financial institutions view funding for SMMEs as costly and risky due to past experiences. As government wants to see the successful roll-out of the SMME strategy, it is now up to the government to counter the financial constraint, which emerging SMMEs experience. The national government, therefore, through its SMME enabling arm, DTI, has established Khula Enterprise Finance Limited and Ntsika Enterprise Promotion Agency in 1996. These institutions’ mandates were to establish programmes that would absorb a portion of the risk and cost of making SMME investments, as well as increase the delivery capacity of alternative financial institutions.

As the researcher has not found any SMMEs during the investigation period that were financed by these agencies, it appears that somehow local government needs to intervene to ensure that local SMMEs also benefit from government support programmes. It will be useful if local government can supply a service to assist local SMME in accessing government finance support institutions. One entrepreneur has mentioned that it will also help if “funding agencies will employ a local representative who will only assist in the administrative part of funding applications”. Another entrepreneur added that this “local representative should form part of the local economic development unit”.

It was also mentioned by respondents that it is vital that SMMEs should look at self-sufficiency. Funding that is dependent on government budgets and narrow minded politicians is very unpredictable. A reliable source of own resources is thus essential. All the interviewed SMMEs neither requires nor can afford expensive private service providers (lawyers, accountants). Consequently, other innovative means of funding must be identified. It was recommended by some of the interviewees that informal SMMEs should collectively look at establishing community/village banks, which are now referred to as Savings and Credit Co-operatives (SACCOs). The role of SACCOs to finance local small businesses as well as provide start-up capital for Co-operatives which are established in line with local economic development plans needs to be investigated. It seems that SMMEs will have enjoyed easier access towards funding if SACCOs are community-driven and supported by local communities.

The next theme reflects on the SMMEs experience in finding sustainable markets and exploring local business opportunities.

4.5 Market Access and Business Opportunities

It is evident that despite the small size, small businesses make a positive contribution to our society and to our economy and its contribution is important in developing and supporting the local economy through employment generation and poverty alleviation. Kanter writes that local communities need magnets and glue where “magnets” refer to the “factors which attract a flow of external resources such as new companies and new people to renew and expand skills, and contribute to the economic health of the region” (Opportunities 2000:1). The Small business sector appears to fulfil such a role of being the fibre of local communities. SMMEs are also important in that they generate a number of employment opportunities. Each small business employs a small number of usually unskilled people and often pays minimal wages, yet the combined effect of this adds up to thousands of jobs and

skills acquired by these employees. By employing those left out from the formal sector and providing them with employment and experience, it can also be said they contribute a great deal to the skills development of our country. Also, the collective purchasing power of these businesses is huge and they have spawned many companies that supply them.

It is for this very reason that Akron (2004) proposes for the establishment Local Economic Development Agencies (LEDAs) at local level, which “are proving to be an increasing force for the support of local businesses and disadvantaged regions and communities in product development, marketing, improving local competitiveness and exploiting the advantages offered to communities by globalisation” (Akron; 2004:97). Small businesses which were surveyed all mentioned that one of their major constraints is finding “markets for their products and, business opportunities and investments”. They elaborated on their need for “government intervention to strengthen access to markets via procurement, exports and business linkages”. It seems that Akron’s suggestion that each municipal district area should have a LEDA to facilitate the process for SMME development and growth makes sense.

It is also suggested that such an agency should actively recruit potential entrepreneurs into establishing small business; develop, support, counsel and assist potential entrepreneurs in the establishment of new businesses; to communicate and market the plethora of enterprise development services, products, assistance packages and organisations to potential entrepreneurs in an integrated manner, according to demand; broker access to- and facilitate surety for enterprise development services, products and assistance packages; actively engage enterprise development and enterprise development finance institutions and product owners from all sectors to co-ordinate with one another, to facilitate the identification of new opportunities for SMME development and to identify gaps in service provision and product lines; and, to actively engage local municipalities in terms of local economic development policies, strategies, industry-specific master-plans and the identification of opportunities and threats in terms of SMME development at local level.

The case studies have revealed that their “perception of the two agencies at the West Coast are merely for SMME registrations and providing basic information, but not to assist in business growth”. It is also evident that all training is at a basic level and core business training programmes are not catered for. There is a need for an agency to help with business growth, accessing sustainable markets and assist in seizing business opportunities and investments. Most Black Economic Empowerment deals have involved black people

from urban areas and other provinces. One of the emerging entrepreneurs showed his dismay in the BEE processes when he noted “that BEE deals have not come to the local coloured community members”. It was evident that local entrepreneurs are not aware how to engage in BEE deals and need local agencies to drive this process.

It was evident during the interview sessions that the local entrepreneurs deem business opportunities vital in its business growth and development. Therefore, the next section deals with the SMMEs experiences regarding networking and business partner opportunities.

4.6 Networking and Business Partnerships

Evident at the West Coast is the operation of a linkage programme, which link SMMEs with larger enterprises for subcontracting and outsourcing of non-core businesses. Inter-firm linkages between large enterprises and SMMEs are one strategy for developing a skilled labour pool, achieving market competitiveness, and providing access to finance and technology for emergent entrepreneurs. Clustering together local enterprises and SMMEs that are producing similar or complementary products is a world-wide tested strategy for creating an environment for the transfer of ‘learning by doing’ skills and expertise. The value of clusters to small business development and eventually job creation is that clusters provide significant opportunity for inter-firm interactions and linkages that are mediated by market forces rather than government coercion and intervention. As such, whatever can be done to assist and promote the development of local enterprise clusters will probably have a positive effect on the growth of manufacturing SMMEs and inter-firm linkages.

Therefore, inter-firm linkages between two willing partners provide avenues for SMME development within a market context. Many of the obstacles that traditionally confront emergent entrepreneurs world-wide can be successfully addressed by a linkage relationship. It is significant to take note that some of the most successful inter-firm linkages are those in which both parties adopt a problem-solving approach, for problems with SMMEs are abundant. The problems most frequently cited by large enterprise doing business with SMME suppliers are those that are least able to be adequately addressed by the type of generic business training that is envisioned by the DTI in its SMME support strategy. The failure of the proposed SMME training to adequately expose small business to the risks of the marketplace can be addressed by encouraging inter-firm linkages as has been discussed. It is a strategy that requires resources and long-term commitment. If world-wide experience is accurate, inter-firm linkage is also a necessity for SMME development and growth.

The above-mentioned strategy is a “participatory approach that involves the inclusion of different stakeholders so that their views, concerns and issues can be included in the planning process”. It is also important because it is here that “networks, partnerships and information sharing occur that make better, more practical, strategies possible” (HABITAT; 2005:8). The Western Cape Provincial government has seen the need to facilitate such a participatory approach and started the process of developing a network of local information access points through which it is able to disseminate information and advice to small business. However, it seems that the RED Door and SEDA strategies currently have an insufficient geographic reach at the West Coast although it plays a useful role in the bigger towns with the assistance in the SMME registration process. However, the case studies have revealed that they are beyond this phase and it appears that the current available services lack capacity to take them beyond this phase. Apparently, The LED Unit has tried to start a clustering approach in line with the West Coast District Growth and Development Strategy (GDS), which includes the following economic sectors: Fishing and Aqua-culture, Tourism, Manufacturing, Mining, Construction and Agriculture.

The common view of the GDS conference is that the GDS has failed “due to an institutional framework (local government) that could not deliver the assistance to local enterprises” and the concept of a participatory approach requires a local government with a developmental approach. However, the researcher has to answer the question about what and how the local municipalities as local authorities have to do to encourage local economic development, particularly when facing scarce resources and still inappropriate capacity to conceive a coherent set of actions. The scope for local government activities on small business promotion depends on several factors and has to be well-designed. According to the case study SMMEs, they would prefer to be included in the development of an approach how they should be supported and in identifying on an effective networking approach, which will ensure the transferring of skills through an inter-firm linkage model.

In the next section, the researcher reflects on the skills development approach, which is currently being practiced to support small businesses.

4.7 Skills Development

Small, medium and micro enterprises (SMMEs) developed into an important role player in the South African economy. SMMEs are viewed as a key source of employment, and one of the objectives of the National Skills Development Strategy is to stimulate and support

skills development initiatives in SMMEs. Ladzani's research makes reference to South Africa's "dearth of entrepreneurial tradition and culture among the previously disadvantaged populations, as well as the lack of basic education and management experience needed to run successful businesses" (Ladzani; 2001:10).

Given evidence that suggests that small businesses prefer short and focused programmes, consideration should be given by the Local Economic Development unit to focussing on Skills Programmes rather than on learnerships (which is a formal learning programme with a minimum time frame of 12 months). Should it be necessary, longer-term programmes can be phased in over time once small businesses have engaged meaningfully in education and training programmes. Secondly, small businesses lack the economies of scale to engage cost-effectively in education and training and are difficult and costly to serve on an individual basis. Therefore, a skill development strategy should adopt a co-operative approach for SMMEs to work together on their skills need. This would enable small businesses to access support programmes on a group basis, thus making it feasible to deliver education and training services to them cost-effectively.

Ackron (2004) proposes the use of "community enterprise development centres to stimulate and activate entrepreneurial activities" in line with the LED plans (Ackron; 2004:105). He also mentions that better skills could be a way of increasing incomes in SMMEs and in enabling them to have better linkages with larger firms. However, it is crucial to understand the current patterns of skills development in SMMEs and the space there is for interventions. The interviewees mentioned that they "are engaged in training", but it is largely informal. They indicated that they "prefer skills development programmes that are short, sharp and problem-focused" rather than long generic training programmes. As consumers, SMMEs also have specific expectations in terms of cost, convenience and programme practicality.

It appears that most West Coast SMMEs follow a predominantly informal approach to learning, and place little value on external, formal training. They are not, first and foremost, interested in recognised training per se, but in learning that enables them to solve immediate business problems. Training related to the core business is principally delivered internally by the company's owner. The two support agencies at the West Coast provide basically generic business training, which does not cover all the training needs. Contrary to the belief that is sometimes held by some, SMMEs showed an understanding of their skills development needs. These covered a range of areas. However, it became apparent that most SMMEs lack awareness about external training provision and consequently have limited interaction

with and make little use of external training providers. This means that this delivery mechanism is not effective in reaching the sector's SMME market.

Related to the foregoing, the SMMEs demonstrated limited knowledge about the role of Sector Education and Training Authorities (SETAs). Once they came to understand the SETA's association with a government department (Labour) they showed reluctance to deal with the SETA, associating it with government interference and red tape. The ignorance of the importance of partaking SETA activities has led to that none of the SMMEs comply with the requirements of the Skills Development Act relating to the appointment of Skills Development Facilitators (SDFs) and submission of Workplace Skills Plans (WSPs). The SDF is seen as an additional cost to the business and the WSP is seen as unnecessarily complex and not user-friendly. Thus, unless this situation is rectified, basing grant provision on compliance with these requirements would limit the number of SMMEs actually receiving training grants.

SMMEs also need to embrace the concept of Employment and Skills Development Agencies (ESDAs), which is one of the best ways to extend skills development to our small enterprises and reach out to rural areas. The ESDAs primary function is to incorporate a range of small employers from a wide spectrum of economic sectors, which happen to be located within rural areas. These agencies also address the widespread complaint by small employers that the administrative obligations associated with accredited skills programmes and learnerships are too onerous, and that they were therefore discouraged from partaking in SETA interventions. Working with ESDAs, the claim that is insufficient incentives for SMMEs to engage in formal training programmes will be nullified.

4.8 Conclusion

The researcher came to conclusion that the following themes deems to be important for small business support:

Themes which came to light through the research study and are deemed important for the development of small business include:

- Access to finance
- Skills Development
- Marketing and Supply
- Networking
- Infra-structure

The reflection on all the above-mentioned themes, has led researcher to develop his own framework for small business development, which will guide local governments and or local economic development officials in its formal strategies for the development and promotion of the small business sector.

The researcher will discuss a framework, which he has developed in the next chapter. The Researcher's recommendations are based on this framework, which provides some insightful thoughts for local governments to be used in the development and promotion of the small business sector.

Chapter 5: Conclusions and recommendations

The researcher would like to propose the following local economic development model, which supports the idea of creating a creative local economic development agency (LEDA). This model presents a bottom-up approach to stimulating local community members to pursue new business creative activities. Consequently, teams of competence have to be built around the entrepreneurial activity to achieve success. These teams may partake in the national government's Co-operative Development Programme. This people centred approach to community and economic development requires competency in three areas:

- Technical ability to produce or service
- Ability to market the product or service, and
- Ability to manage the finances of the venture

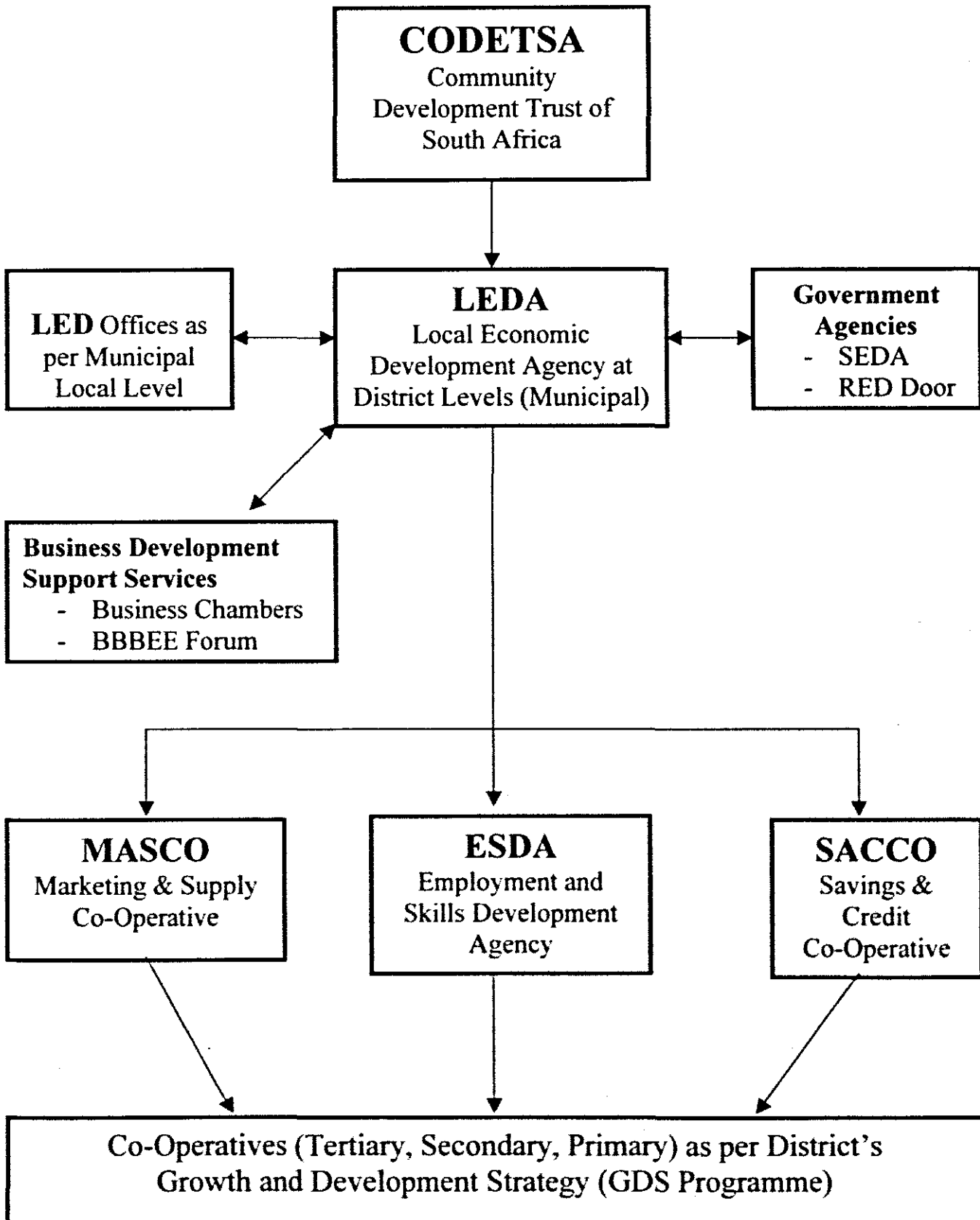
Themes which came to light through the research study and are deemed important for the development of small business, are linked to an agency and/or a forum:

- Access to finance (SACCO)
- Skills Development (ESDA)
- Marketing and Supply (MASCO)
- Networking (Business Chambers and Forums)
- *Infra-structure (Local Government)*

The researcher, therefore, would like to propose the following model in figure 3 as a plan to develop small businesses and co-operatives.

Figure 3:

CO-OPERATIVE / SMME MASTER DEVELOPMENT PLAN



5.1 Recommendations

Proposal 1: Establishment of a Community Development Trust

The current situation is that emerging entrepreneurs find it difficult to access funding towards starting a business or developing current small businesses. The research would like to propose the establishment of a Community Development Trust (CDT), which will counter the difficulty of accessing finance.

A Community Development Trust is a way of managing funds and assets, which have been reserved for a specific purpose within Local Economic Development (LED). A Community Development Trust in a Local Economic Development (LED) strategy will usually act as a channel and administrator of funds or other assets for the implementation of LED initiatives. A CDT comes into being when the founder or donor hands over the control of certain funds or assets to another party (the trustee), who must administer those funds and assets for the purpose of LED. Neither the donor, nor the trustee enters the arrangements for personal benefit.

The key advantages of establishing a trust are that it exists independently of its trustees and beneficiaries providing limited liability for its trustees and beneficiaries and has certain tax advantages. The disadvantages are that the trust is not a “legal person” and this can be an ineffective vehicle for implementing developmental projects. CDTs are geared to channelling funding and are often used together with other institutions that are geared towards managing the implementation of projects, such as economic development projects, which could lead the the development of small businesses.

Proposal 2: Establishment of a Local Economic Development Agency (LEDA)

Local Municipalities, as developmental local government entities, are currently responsible for initiating, facilitating and/or implementing strategies and programmes that will create an enabling environment for economic development in its area of jurisdiction. However, as with many other municipalities in South Africa, the local Municipalities in the area of the West Coast District Municipality, are often criticised for non-delivery of such projects. Therefore, the researcher would propose the establishment of a Local Development Agency (LEDA) to assist the municipalities in the planning and implementation of catalytic turn-key economic projects that will contribute to economic growth and diversification across all economic sectors.

The objectives of the LEDA as proposed by the researcher are to:

- Generate economic growth and diversification in each local Municipality economy through the conceptualisation, design and implementation of turnkey projects that will build on the unique strengths of the specific Municipal area and that will facilitate employment creation, entrepreneurial development and poverty alleviation.
- To create and foster partnerships and cooperative networks between all relevant stakeholders on programme- and project based initiatives that will promote local economic development. The Development Agency will strive to incorporate organisational expertise in the field of local economic development that will make it a most suitable vehicle through which economic initiatives could be implemented and managed.
- To leverage public and private resources for development around opportunities that offer economic, social and spatial development potential.
- To create a business environment conducive to the public and private sector
- To ensure investment, operational efficiency, business confidence and productivity.

However, for the successful implementation of the LEDA it will be important to form a government recognized Public-Private Partnership (PPP) with the local governments' LED Units, National Business Institute and other relevant stakeholders. The LED units, therefore, need to be in place and be recognized by local governments as a vital role player in the implementation of the local economic growth and development strategy.

Proposal 3: Establishment of a strong LED Unit at Local Municipality Level

The development of a strong local LED Unit is the first step towards creating an enabling institutional environment, within which the necessary capacity development can be undertaken, through effective restructuring of each local municipality. The strengthening of institutional mechanisms (LED Unit) to assist the Municipality with regard to the planning, managing and coordination of LED is the first critically important step that must be undertaken.

The re-alignment of the current institutional arrangement is required to ensure the successful facilitation of economic development within each Municipality. The purpose of a LED Unit is to ensure optimal municipal arrangements for promoting LED within each municipality, such as infrastructure provision, public sector procurement, policy review, funding programmes, business development services and typical facilities aimed at SMME support.

However, because Local Economic Development is a multi-stakeholder process careful attention needs to be given to the division of roles and responsibilities of the LED Unit. Depending on the circumstances and the programme adopted the role of each stakeholder within the LED Unit will vary. Therefore, the researcher would suggest an overview of the possible roles for the stakeholders in the LED Unit:

3.1 Local government as manager / co-ordinator:

In this role local government is the implementer or responsible authority.

- Policy formulation and leadership of integrated local economic development planning
- Collation and interpretation of economic intelligence
- Identification of infrastructure needs
- Management of national and provincial government mandates and interventions
- Facilities management

3.2 Local government as facilitator:

In this role local government improves the environment and services, and facilitates outside expertise and resources to meet needs.

- Dissemination of information
- Creating a conducive and enabling business environment and culture
- Infrastructure provision
- Support of the informal sector and SMMEs
- Facilitation of development funding
- Facilitation of human resource development
- Process facilitator

3.3 Local government as investor:

Government is a major investor and can use its resources to drive and stimulate the local economy:

- Procurement policy
- Use of state assets
- Infrastructure investment
- Housing investment
- Land use planning
- Environmental regulation

3.4 Local government as stimulator / entrepreneur:

In this role local government stimulates business creation or expansion.

- Promotion of particular sectors or areas that could be sustained by the market in the long-term, for example, the development of business infrastructure to attract business in a situation where the market (consumer or skills) exists, or the development of specialist skills, e.g. in the film industry
- From time to time government might need to take on the role of entrepreneur, for example, in a joint venture with the private sector to develop a business or sector.
- Local government planning will set the overall land use and investment framework – this can stimulate or stifle economic growth

3.5 Local government as regulator:

Government is a regulator and enforcer and needs to ensure this role supports not constrains economic development. Here issues of environment, zoning, licensing, by-laws and municipal police and enforcement are all important.

3.6 Local government as representative:

This is usually the role undertaken by elected representatives within local government.

- *Understanding citizens' needs and communicating these to the administration*
- *Monitoring delivery and performance against the agreed plan.*

The municipality needs to be clear on what its role should be for each of the proposed interventions as per the LED strategy.

Proposal 4: Implementation of the Co-operative Development Programme

The Co-operatives Strategy of South Africa ensures the commitment of National Government to the promotion of co-operative enterprises for ten years (i.e., 2004-2010). It is the result of extensive consultations among the key stakeholders in the co-operative movement. The strategy takes into consideration prior work done by of the Government in macro economic development and other policies, while responding to the current situation of the co-operatives movement.

This strategy recognizes the potential of co-operative enterprises in creating and developing income-generating activities and sustainable decent employment, developing human resources capacities and knowledge, strengthening competitiveness, increasing savings and investment; improving social and economic well-being, contributing to sustainable human development; establishing and expanding a viable and dynamic distinctive sector of the economy and in contributing to broad-based economic empowerment. The strategy also highlights the importance of the co-operative model in promoting entrepreneurship in South Africa.

Local governments, therefore, should use the development of co-operatives as a strategy to alleviate poverty and unemployment. It is an ideal tool for the broad-based economic development (BBBEE) plan, which would benefit emerging entrepreneurs entering an unknown economic sector.

Proposal 5: The development of an Employment and Skills development Agency (ESDA)

The ESDAs (Employment Skills Development Agencies) specialized skills development agents, which were formed in 2004 by the Honourable National Minister of Labour, Minister Shepard Mdladlana, in order to boost the creation of skills particularly in the rural areas of the country, the latter being of crucial importance to the creation of sustainable local economic development and growth. Borrowing from the Australian ESDA Skills Development model, the ESDAs were established by way of legislation, with particular reference to Regulation 3 (4) of the Skills Development Act.

Being an enactment of skills legislation, the ESDA serves several purposes, the main purpose, as a state-orientated vehicle, is to adhere to all social transformation legislation of

the Parliament of the Republic of South Africa, the governing institution of our country. The primary function of ESDAs is to assist small businesses to the implementation of skills development intervention as per SETA-requirements. Employers usually find the administrative burden of implementing learnership and skills programme as an administrative burden. The ESDAs, therefore, are put in place to make it viable for small businesses to partake in the skills development strategy.

The recommendation, therefore, is that small businesses embrace the function of the ESDA. The ESDA will assist small businesses with their workplace skills plans and the implementation thereof.

Proposal 6: The development of a central Marketing and Supply Co-operative

Business is about making money through selling its products and/or service. However, marketing encompasses much more than just advertising or selling. A major part of marketing involves researching the customer-base. Therefore, it is important that small businesses have the expertise to understand the complexities of marketing.

Most rural areas have been reliant on one to two industries for many years and most small businesses have competed within these economic sectors. The focus was local due to the entrepreneurs' local knowledge. However, marketing strategy can no longer rely on local knowledge or support, but has to compete for market share within a competitive supply chain.

The principles of determining market share and market potential are the same for all geographic areas, whether it is rural or urban. First determine a customer profile (who) and the geographic size of the market (how many). This is the general market potential. Knowing the number and strength of your competitors (and then estimating the share of business you will take from them) will give you the market potential specific to your enterprise.

It is evident that marketing is a special skill, which rural entrepreneurs will need a long time to master. Therefore, the researcher recommends that individuals who have these marketing abilities to form a marketing co-operative to assist rural SMMEs in the marketing of their products and services, while the entrepreneurs only focus on their core businesses – the quality of the services or products.

This strategy also applies to the management of finances.

Proposal 7: The Establishment of a Savings and credit Co-operative (SACCO)

Savings and Credit Cooperatives (SACCOs) have become vital providers of financial services to people living in rural areas. The particular economic importance of the savings and credit cooperatives for rural entrepreneurs is underlined by the fact that SACCOs are both genuine drivers of development and often the most important financial service providers for the target group (small businesses, crafts/trades people, farmers). The existence of functioning financial co-operatives leaves a positive mark on the economic and social structure of local communities since it develops on the basis of local initiative and local economic strength.

Support of the savings and credit cooperatives ameliorated the social and economic situation of the target SMMEs which are relevant in terms of local economic development policy. Savings and credit cooperatives, especially in rural areas and small towns can considerably contribute to both the building-up of local economic structures and to poverty reduction. In addition, it can fund the starting up of a business and/or the development of small businesses. The main benefit of the savings and credit cooperative system is the ability to raise the equity required under the regulations of the banking supervisory authority, while the money came largely from the members.

Therefore, the researcher recommends that SMMEs should become member-organisations of SACCOs as they can facilitate access to financial support in line with the demand. SACCOs, in addition, will be able to fulfil a financial management function towards SMMEs, if needed.

Proposal 8: Provision of Business Development Support Services (Government Agencies)

The Local Economic Development Unit of local municipalities have the luxury of employing the assistance of Local Business Service Centres (LBSCs) to address the specific needs of the small business sector in terms of training, technology transfer, information and marketing. This is the reason why the Local Business Service Centre (LBSC) is of much importance to the local governments to assist SMMEs in attaining business skills, networking and funding through the right channels.

Therefore it is recommended, that the LBSC (the West Coast Business Development Centre) should form an integral part of the West Coast District Municipality's SMME strategy, so that it can be transparent and its progress be evaluated at all times.

Another business development service that is provided by government, which is important for SMMEs development, is the RED Door Initiative (Real Enterprise Development). The RED Door is a one-stop shop for basic business advice, information, assistance and referrals in a manner that the client understands and where the principle of Batho Pele is paramount. The RED Door Initiative does a sector snapshot to assess what is happening in the area. Their aim is to identify the Policy levers by doing research and strategising. They look generically at the six different pillars (core elements of a SMME Development strategy), which are the following:

- . Convenient access points for advice and information
- . Network of competent support service providers
- . Opportunities and market access and linkages
- . Access to finance
- . Capacity building and skills development
- . Trading sites and manufacturing accommodation

The researcher recommends that local government use the vehicle of the RED Door (in partnership with the West Coast Business Development Centre) to form a strong small business development support. A linkage programme that is viable should be developed between these role-players and should be promoted and marketed to interested emerging entrepreneurs.

Proposal 9: The Networking (Business Chamber/SMME Forum; BBBEE Forum)

Networking is advisable to small businesses to ensure that peer mentoring in an informal manner takes place. Entrepreneurs can learn from one another and, also be guided and assisted by the seasoned businesspersons. Forums such as the Business Chambers and Broad-based Black Economic Empowerment forums are good examples where such networking can take place.

Another type of networking, which is highly recommended by the researcher, is clustering of small businesses. Clustering, for example, would demand a much greater intensity of co-operation, but such an approach could increase the relative utilisation of resources. There

will be many questions how to structure such a networking system in order to develop organizational synergies and avoid tensions, conflicts and controversies among larger companies and SMMEs. This type of networking has also to be able to mobilise the available experts within the different economic sectors and relevant bodies and avoid the alienation of some of them due to inappropriate status. However, the main question still remains about what and how the local municipalities as the local authorities have to do to encourage local economic development, particularly when facing scarce resources and still inappropriate capacity to conceive a coherent set of actions.

5.2 Conclusion

The research has revealed that local municipalities have a range of activities available to design the proper mix of assistance to local SMMEs and Co-operatives. However, to provide for this mix, the researcher has found that the following is important:

- to assess the needs of local entrepreneurs to provide for relevant services
- to promote these services extensively among targeted groups of SMMEs through small business development activities
- to encourage the culture of evaluation and benchmarking and to adjust SMME development programmes or alter the policy mix if needed,
- to involve flexible, innovative and enthusiastic people.

There is a definitive variety of possibilities for SMME development at the local level and it should be the task of local governments to support the effective ones. A delivery mechanism should be put in place in the form of Local Economic Development Agencies (LEDAs) co-ordinating the portfolio of activities and monitoring the performance of SMMEs and the impact of specific programmes or projects of support.

List of references

1. Ackron, J.C. (2004). Emergent good practice approaches to business support: Implications for Local Government, University of Stellenbosch.
2. Adams, M.N. (2003). "Networking and support" in G. Nieman; J. Hough & C. Nieuwenhuizen (eds.), *Entrepreneurship: A South African Perspective*, Pretoria, Van Schaik.
3. Beer, A & Kearins, B (2004). "Regional dimensions in national development: Understanding the role of regionally focused economic development in achieving national growth", Paper presented to the Inaugural National Regional Research Colloquium, 19 February 2004.
4. Binns, T. and Nel, E.L. (1999). Beyond the Development Impasse: Local Economic Development and Community Self-reliance in South Africa, *Journal of Modern African Studies*, 37, 2, pp.389-408.
5. Black, J.K. (1991). *Development in theory and practice bridging the gap*. Westview Press. Informal sector.
6. Bridge, S., O'Neil, K & Cromie, S. (1998). *Understanding, Enterprise, Entrepreneurship & Small Business*.
7. Caledon Institute of Social Policy, (1999). "Strategies for a caring community: the local government role", September: *Opportunities Series 2000*, Web Page: <http://www.caledoninst.org>.
8. Claassen, P. (1991). "The role of local government in local economic development" in Beukes, E.P., Davies, W.J., van Der Kooy, R.J.W. & van Wyk, L.A., (eds); Innesdale, Development Society of Southern Africa, University of the Witwatersrand, Johannesburg.
9. Coetzee, S.F. & Ligthelm, A.A. (1993). *A Profile of the Southern African Development Area*.
10. Coetzee, J.K. (1989). *Development is for people?*
11. Cupido, C. (2003). *Barriers to Entrepreneurship in the Western Cape*, Cape Peninsula University of Technology.
12. Denzin, N.K. & Lincoln, Y.S. (1994). *Handbook of qualitative research*. California: Sage Publications.
13. Department of Provincial and Local Government.(DPLG) (2005). *Robust & Inclusive Municipal Economies. Policy guidelines for implementing Local economic development in South Africa*.
14. Department of Provincial and Local Government. (DPLG) (2006-2011). *South Africa. Stimulating and developing sustainable local economies*.

15. Department of Provincial and Local Government. (DPLG) (2000a). A Policy paper on integrated development planning. (produced by M. Orange, P.Harrisson, E. Meyer and van Huyssteen), Pretoria.
16. Department of Provincial and Local Government. (DPLG) (2000b). Local Economic Development: Performance Management and Measurement Techniques, LED Manual Series No. 4. Pretoria.
17. Department of Provincial and Local Government. (DPLG) (2000c) Local Economic Development: Guideline to Institutional Arrangements, LED Manual Series, No 1. Pretoria.
18. Department of Trade and Industry. (2003). The Integrated Small Business Development Strategy in South Africa 2004-2014. Unlocking potential in an enterprising nation.
19. Department of Trade and Industry. (1995). The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa.
20. Edwards, M.E. (2007). Regional and Urban Economics and Economic development.
21. Esman, M.J. (1991). Management dimensions of development. Perspectives and Strategies.
22. Glas Miroslav. (2001). Municipality Seminar on LED. Municipality and Business Development. Southeast Europe Enterprise Development.(SEED)
23. Kroon and Moolman, (1992). Small Business Environment in South Africa. University of Pretoria.
24. Ladzani, W. (2001). Small Business Development in South Africa under the majority rule.
25. Lenzi, R.C. (1996). The Entrepreneurial Community Approach to Community Economic Development.
26. Le Roux, P.J. (1990). Die rol van plaaslike owerhede in plaaslike ekonomiese ontwikkeling, Unpublished Masters Thesis, University of Stellenbosch, November.
27. Lisk, F. (1985). Popular participation in planning for basic needs.
28. Lottering, D. (1999). 'n Ondersoek na die rol van munisipaliteite in die bevordering van Plaaslike Ekonomiese Ontwikkeling met spesifieke verwysing na die Kaapse Metropol, University of Stellenbosch.
29. Monaheng, T. (1998). Participation in Human Development.
30. Mouton, J & Marais, H.C. (1990). Basic concepts in the methodology of the social sciences, Pretoria, HSRC
31. Myles, A. (2005). "Understanding local governments' role and response to economic development; Web Page: [http:// www.MSUcares.com](http://www.MSUcares.com).

32. Nafziger, E.W. (2006). *Economic Development*, Fourth Edition, Kansas State University.
33. National Small Business Act, Act 102 of 1996. Pretoria: Government Printer.
34. National Business Initiative (1996). *Local Economic Development Training Manual*. Johannesburg: National Business Initiative
35. Netsweta, F.G. (1999). *The development of an instrument to determine the perceptions of Gauteng small business operators of their support systems*, University of Stellenbosch.
36. Nel, E.L. and Humphrys, G. (1999) *Local Economic Development: Policy and practise in South Africa*, *Development Southern Africa*, 16,2, pp.277-289.
37. Nel, V., van Rooyen, P; & Mohlala, K (2002). "CENBIS: A local business support centre in the changing local government environment"; Web Page: [http:// www.led-sa.co.za/Documents/doc_72.doc](http://www.led-sa.co.za/Documents/doc_72.doc).
38. Nieman, G.; Hough, J. & Nieuwenhuizen, C. (eds.), (2003). *Entrepreneurship: A South African Perspective*, Pretoria, Van Schaik.
39. Orford, J and Wood, E. (2005) *Supporting Small Business in the Western Cape*. SMME second paper.
40. Patton, M.Q. (1990). *Qualitative Evaluation and Research Methods* (2nd ed.) Newbury Park, CA: Sage Publications, Inc.
41. Philip, K. (2003). *Co-operative in South Africa: Their role in job creation and poverty reduction*.
42. Republic of South Africa (1996). *Constitution of the Republic of South Africa*, Cape Town, Parliament.
43. Republic of South Africa (1998). *White Paper on Local Government*, Pretoria, Department of Provincial & Local Government (DPLG).
44. Republic of South Africa (2000). *Municipal Structures Act (Act 117)*, Pretoria, DPLG.
45. Republic of South Africa (2000). *Municipal Systems Act (Act 32)*, Pretoria, DPLG.
46. Richards, A.D. (2006). *Sustainable micro-entrepreneurship to ensure positive economic growth in the Western Cape*, Cape Peninsula University of Technology.
47. Rogerson, C.M. (1999c). *Local Economic Development and Urban Poverty Alleviation: The Experience of Post-Apartheid South Africa*, *Habitat International*, 23,4, pp.511-534.
48. Rogerson, C.M. (2004). *The impact of the South Africa Governments SMME programme: A ten year review: (1994 – 2003)*

49. Singh, K. (1986). Rural Development – Principles, policies and management.
50. Strydom, H. (1998). Trends in the South African Social Work research field. *Social Work*, 34 (1:pp. 44-58)
51. Straus, S. (2006). “Government’s role in encouraging small business”, in *eJournal USA: Economic Perspectives*, January;
Web Page: <http://usinfo.state.gov/journals/ites/0106/ijeec/strauss.htm>
52. Szabó, A (1996). “The role of governments in the promotion of small and medium-sized enterprises in countries in transition”;
Web Page: <http://www.unece.org/indust/sme/sme-role.htm>.
53. Todaro, M.P. (1989). Principles and concepts. Fourth Edition – Economic development in the third world.
54. Toomey, D.C. (1998). South African Small Business Growth Through Interfirm Linkages.
55. Trousdale, W. (2005). Promoting Local Economic Development Strategic Planning. Volume 1: Quick Guide. UN-HABITAT.
56. Weits, R. (1986). New Roads to Development.
57. Welman, J.C. and Kruger, S.J.. (1999). Research methodology for the business and administrative sciences, Johannesburg.
58. Yin, R.K. (1984). Case study research. Beverley Hills, CA: Sage.

**Appendix 1:
Questionnaire**



**Cape Peninsula
University of Technology**

The Local Economic and Development (LED) Manager of the West Coast District Municipality (Mr. Avril M. Hein) is currently enrolled at Cape Peninsula University of Technology (CPUT) for a post-graduate master's programme, M. Tech (Business Administration). A partial requirement for the successful completion of this programme is the completion of a mini-research thesis.

The research topic is: A critical analysis of Local Government support in the promotion of small enterprises: A study of the Cape West Coast local authorities in the Western Cape Province

The purpose of the study is to examine the key factors impacting on the SMME sector, so as to assess whether municipalities at the West Coast have, in fact, been in support of SMMEs by establishing an environment, which attract entrepreneurs and sustains small enterprise development. The study will thus critically evaluate the support towards the development of small and medium enterprises by the local municipalities within the West Coast District, Western Cape.

To achieve the foregoing, the following approach has been adopted:

- To conduct a questionnaire survey to assess the experiences of small business owners in terms of municipal support to development their small businesses
- To evaluate municipal support of SMMEs through directed interviews and impact assessment reviews.

Your support in obtaining accurate information is needed and highly appreciated.

Please complete the attached questionnaire and return to:

Mr. A.M. Hein, 22 Omega Crescent, Vredenburg, 7380

Respondent Information:

Name of Business	
Name of person completing SMME Questionnaire: (in Company)	
Completion Date of Business Questionnaire:	

Instructions for Completion of the Questionnaire:

1. Your participation in this survey is completely confidential
2. Please answer the questions honestly.
3. The questionnaire has been sub-divided into different sections, for statistical purposes.
4. When you answer the questionnaire, please relate to the current government policies and practices.
5. Remember – there is no right or wrong answer, it is how you feel about a matter that is important – your opinion is valued.
6. Please answer all the questions.

BUSINESS PROFILE:

Trading Name of Business

Registered Name (if differs from above)

Other (Trading as)

Business Registration Number

Contact Details

Telephone:
Fax:
E-mail:
Website:
Postal Address:
Town:
Physical Address:

Type of entity (Tick appropriate box)

- Sole Proprietor
- Partnership
- Closed Corporation
- Private Company
- Public Company
- Not for Profit Company
- Other

Description of primary business activities

Employee Profile – Number of Employees

	1-10	10-20	20-30	30-40	40<
Number of full time employees					
Number of part time/contract employees					
Number of vacancies					

SOUTH AFRICA BUSINESS SECTOR LIST - TYPES OF BUSINESS SECTORS
 South Africa business sector list - types of business sectors
 Select a sector from the list below.

- | | |
|--------------------------|---|
| <input type="checkbox"/> | Aerospace |
| <input type="checkbox"/> | Agriculture and Agri-processing |
| <input type="checkbox"/> | Aquaculture and Mari culture |
| <input type="checkbox"/> | Automobiles |
| <input type="checkbox"/> | Banking |
| <input type="checkbox"/> | Biotechnology |
| <input type="checkbox"/> | Boatbuilding |
| <input type="checkbox"/> | Business Support Services |
| <input type="checkbox"/> | Call Centers and Business Process Outsourcing (BPO) |
| <input type="checkbox"/> | Chemicals |
| <input type="checkbox"/> | Clothing and Textiles |
| <input type="checkbox"/> | Construction and Materials |
| <input type="checkbox"/> | Containers and Packaging |
| <input type="checkbox"/> | Defense |
| <input type="checkbox"/> | Delivery Services/Logistics |
| <input type="checkbox"/> | Development Finance |
| <input type="checkbox"/> | Education |
| <input type="checkbox"/> | Electronics |
| <input type="checkbox"/> | Engineering |
| <input type="checkbox"/> | Financial Services |
| <input type="checkbox"/> | Food and Beverages |
| <input type="checkbox"/> | Forestry |
| <input type="checkbox"/> | Health Care |
| <input type="checkbox"/> | ICT - Information and Communication Technology |
| <input type="checkbox"/> | Industrial Manufacturing |
| <input type="checkbox"/> | Industrial Metals |
| <input type="checkbox"/> | Industrial Transportation |
| <input type="checkbox"/> | Industrials |
| <input type="checkbox"/> | Infrastructure |
| <input type="checkbox"/> | Insurance |
| <input type="checkbox"/> | Legal Services |
| <input type="checkbox"/> | Media |
| <input type="checkbox"/> | Mining |
| <input type="checkbox"/> | Oil and Gas Equipment, Services and Distribution |
| <input type="checkbox"/> | Oil and Gas Producers |
| <input type="checkbox"/> | Paper |
| <input type="checkbox"/> | Personal and Household Goods |
| <input type="checkbox"/> | Pharmaceuticals |
| <input type="checkbox"/> | Property |
| <input type="checkbox"/> | Public Sector Entity |
| <input type="checkbox"/> | Retail |
| <input type="checkbox"/> | Sport |
| <input type="checkbox"/> | Telecommunications |
| <input type="checkbox"/> | Tourism |
| <input type="checkbox"/> | Travel and Leisure |
| <input type="checkbox"/> | Utilities |
| <input type="checkbox"/> | |

Section A: Finance

1.1 What is your Annual Turnover?

	2007	2008	Expected 2009
>R2500			
R2 500-R5 000			
R5 001-R10 000			
R10 001-R25 000			
R25 001-R50 000			
R50 001-R100 000			
R100 001-R500 000			
R500 001-R1 million			
R1million-R5 million			
More than R5 million			

1.2 Without mentioning specifics has the turnover (most recent financial year) of your business:

- Increased
- Remained stable
- Decreased

1.3 What type of assistance is given to you by financial institutions?

1.4 Have you ever had to make a loan for your business, and why?

1.5 Do local municipalities support your business in terms of the following?

- Start-up Capital
- Information
- Tax rebates
- Financial Incentives
- Other

--

1.6 In addition to your business operation, are you involved in other income-generating activities?

YES		NO	
-----	--	----	--

Section B: Infrastructure

2.1 Do you need your own business premises? Why?

2.2 Will you benefit if municipalities provide adequate infrastructure?

YES		NO	
-----	--	----	--

If yes, specify.

2.3 Do your municipality currently provide your business with infrastructure development assistance?

- Buildings
- Land Usage
- Municipal services
- Equipment
- Training
- Other

Section C: Skills Development

3.1 What are the main types of skills that are required in your business? (The skills most critical for the success of your business) If there are any specialised or critical skills (for example information technology), you may also indicate them here.

NO OF EMPLOYEES	TYPE OF SKILL
	Professional, semi-professional and technical work
	Clerical and sales worker
	Managerial, executive and administrative worker
	Transport and communication worker
	Service worker
	Farmer and farm worker
	Tradesman and Apprentice
	Production foreman, supervisor
	Other (specify)

3.2 When hiring employees have you experienced any difficulty in finding the ideal candidates with the correct skills required for your business? (Has your businesses growth been constrained by a shortage of skilled labour?)

YES		NO	
-----	--	----	--

3.3 If your answer to the previous question was 'yes', what types of skills were lacking?

3.4 Do you provide on the job training for the necessary skills required in your business? If yes, please give a description of the types of training.

YES		NO	
-----	--	----	--

3.5 Do you currently have any job vacancies in your organization?

YES		NO	
-----	--	----	--

3.6 When are these positions most likely to be vacant?

- Immediately
- Within the next 3 months
- Within the next 6 months
- Longer term possibilities – 1 year or more

3.7 Have you received any Entrepreneurial training to operate a business?

YES		NO	
-----	--	----	--

If yes, please specify entrepreneurial skills priorities for your sector.

3.8 Did you spend money on training in 2006/2007?

YES		NO	
-----	--	----	--

3.9 Do you budget for Skills Development and Training?

YES		NO	
-----	--	----	--

3.10 Would you accept help for entrepreneurial training and development from the District Municipality/Local Municipality?

YES		NO	
-----	--	----	--

If no, please furnish reason

If yes, could you identify the key assistance you would like to receive from the District Municipality / Local Municipality

3.11 Identify the benefit of being assisted by Local Economic Development Department of your District Municipality/Local Municipality?

3.12 Do you make use of outsourcing services in term of non-core services?

YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If yes, specify.

Section D: Marketing

4.1 What means do you use to market your business?

4.2 What market research have you done?

4.3 Do you make use of Internet Technologies or other media to promote your business?

4.4 Do you have good relations with other industry role-players and service providers?

YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

4.5 To what extend do the local authorities support your business in terms of marketing?

Enquiries:

Tel: 022 713 3167
Cell: 083 383 3059
Fax: 022 719 1418
Email: amhein@vodamail.co.za

Date:

--

**Appendix 2:
Interview Questions**

QUESTIONS

1. What support services are available for SMMEs?
2. How accessible are these support services for SMMEs?
3. Are these support services build into the municipal integrated development plan (IDP) and Local Economic Development (LED) strategy?
4. What are the critical success factors for improving infrastructure?
5. What are the most essential skills needed for small business success?
6. Do your municipality make special efforts to awards tenders and contracts to products and services to local SMMEs?
7. Do your municipality assists SMMEs through the provision of special exemptions rates and rebates during the start-up and growth phase?
8. What role does the local government play with regards to SMMEs to develop and grow?
9. Can you mention anything were the municipality went the extra mile to help SMMEs?
10. Do your local municipality avails its facilities for the training of emerging businesses by external business-support agencies?
11. How do the policies and programmes of the municipality assist the small businesses in terms of development and growth?
12. Does your municipality support SMMEs and on what basis?

Appendix 3:

List of business interviewed:

NO.	NAME OF BUSINESS	OWNER
1.	Tulip Construction	Ivan Jurens
2.	Atlantic Car Wash	Mervin Christians
3.	Fly Crows Consumer	Colin Walters
4.	BE Engineering	Rank Swartz
5.	Applewood Trading 82	Mario Green
6.	Ocean security services	Roger Lambert
7.	C. van der Heever Construction	Chris van der Heever
8.	Zalalito Contractors	R. Zaal
9.	Quality Projects	Karen van Tonder
10.	Profab Engineering	Verna Asia
11.	Siyakula Engineering Projects	Betrem Don
12.	Moorreesburg Catering	Elaine Marias
13.	W and M General Maintenance services	Trevor Wilsnach
14.	Schaafsma CC	Rob Schaafsma
15.	JJ Farming	Jan Jaars
16.	Blades Agricultural	Blades Maritz
17.	Van Wyk's Farming	Cornelius van Wyk
18.	Holtzman Farming	Marlon Holtzman

19.	African Olive Trading 232 (PTY) LTD	Craiton van Niekerk
20.	Reiger Fishing CC	John Cottle
21.	JP Adams Partnership	John Adams
22.	CM Functions	Collette Maritz
23.	Paternoster Lodge	Glenda Appies
24.	West Coast Arts & Crafts	Denisia Saal
25.	Saldanha Recyclers	Winston Simon
26.	Silver Solutions CC	Bertram Vraagom
27.	World Focus	Patrick Billet