

# **Red Door Impact Study: Phase Two**

Prepared for

**Department of Economic Development and Tourism**

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Prepared by

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## Executive Summary

This report of the second phase of the Red Door Development Strategy Impact Study follows the First Phase Report which was completed in October 2006. Phase One focused on the operations of the offices in the region. Phase Two gives attention the view of clients of the Red Door. It is important to register that the interviewees were selected from among clients considered to have been successful in their ventures.

The report has eight parts

1. The research questions which directed the research are re-stated as they were phrased in the Memorandum of Modification.
2. The research method used in the study is described.
3. A discussion of recent literature on SMME development is presented.
4. The results of the research survey are presented in quantitative form.
5. The survey results are given qualitative interpretation.
6. The Research Questions are answered
7. The findings of the study are presented.
8. Recommendations to the Red Door are made.

### **The Research Questions**

1. *What are the critical differences between a 'natural' entrepreneur and one who is 'made'?*
2. *What is the nature of the psychological path along which a person travels to become an entrepreneur?*
3. *Are there critical points of experience in a typical career path?*
4. *Where are the strongest points of intersection between the experience of developing entrepreneurs and the Red Door services?*
5. *Is there a discernible pattern of successful interaction between Red Doors entrepreneurs operating in different regional, business and cultural contexts?*
6. *Where do the entrepreneurs feel that the Red Door does not meet their needs and so wastes its resources on irrelevant or unnecessary services?*

### **Research Method**

The research conducted a survey of 41 clients of the Red Door across the 11 office regions. The survey was carried out through a semi-structured questionnaire which was administered through face-to-face interviews. The results of the questionnaire were coded and tabulated to give a quantitative foundation to the study. In addition the responses were interpreted in a qualitative account of the material gained. The findings were based on both the quantitative and qualitative results.

### **Literature Review**

The review of the literature focused on recent contributions to theoretical and policy literature as well as to empirical studies. The policy literature has two chief interests. The first is the analysis that it provides of the historical and political contexts of black entrepreneurial culture. The second is the detailed

discussion that it contains of the development of BEE policy and its impacts on SMME practice. Of particular importance is the commentary on preferential procurement policy pointing to its importance in building up an entrepreneurial class through SMME.

The empirical literature (and some of the theoretical work) points in a different direction stressing how difficult the establishment of small business is for most of the previously disadvantaged entrepreneurs.

## **Quantitative Survey Results**

The full questionnaire of 47 questions is attached to the report as an appendix

The survey results provide measures across the following categories

- The demographics of the sample.
- The types of business represented in the sample.
- The levels of administrative resources of the businesses surveyed.
- The status of the businesses .
- The business history of each individual entrepreneur.
- The experience of business growth (if any).
- The relations between the individual business and the Red Door.

## **Qualitative Interpretation of the Results**

The qualitative interpretation builds up a sequence of narrative analyses of the following conditions

- The nature and conditions of micro-business as they appeared in Western Cape
- Entrepreneurial character and business identity
- The current position of SMME in the black entrepreneurial culture
- The relation between the Red Door and the entrepreneurial culture
- The Red Door and the new policy environment

## **The Research Questions Answered**

The answers in the report are given here in full.

**Question 1.**        *What are the critical differences between a ‘natural’ entrepreneur and one who is ‘made’?*

No one is born an entrepreneur. There is no entrepreneurial gene. All entrepreneurs are ‘made’ in some way or another, though it is quite clear that some are more successful as entrepreneurs than others. The evidence in the survey shows that entrepreneurs ‘make’ themselves. They make ‘the decision to start’ and they move from one identity to another – from employment to business in our sample.

In terms of our interpretation of the results the differences between a person who appears to be a ‘natural’ entrepreneur and one who appears to have been

‘made’ – what might be called differences of aptitude, skill and flair – lie in the quality of the entrepreneurial culture which the individual inhabits. Where that culture is rich and well established it is easy to identify apparently ‘natural’ individuals, but where it is thin and depleted it requires painstaking effort for an entrepreneur to ‘make’ him or herself. A whole new way of life has to be learned and it takes time and much trial and error.

The Red Door does assist people in the damaged black entrepreneurial culture to make themselves into entrepreneurs but only when the culture has been rebuilt will it be easy for people to easily flourish as entrepreneurs and take on the aspect of ‘natural’ entrepreneurs.

**Question 2**            *What is the nature of the psychological path along which a person travels to become an entrepreneur?*

Any answer to this question must be qualified by the limitations of the sample taken in the study. However on the evidence it is possible to give at least a sketch of the psychological path which characterises the micro business entrepreneur.

The starting point is that the desire to be an entrepreneur is present from early on in the persons life. One interviewee described how he had begun selling ice creams in the street in Standard Three. However to realise the desire takes considerable time. Twice as many of the sample were aged over 35 and they had in most cases only recently entered business. The path taken is through secondary schooling (occasionally including extra education or training) and is followed by employment. In general terms this period can be considered as skill and confidence building. The emergence out of employment and into business is slow and careful and requires support, but the move once made is felt to be permanent.

**Question 3**            *Are there critical points of experience in a typical career path?*

The ‘decision to start’ emerges from the study as the most critical point of entrepreneurial experience because, we have reasoned, it marks the change from one kind of life into another. A second important experiential moment comes with the formal registration of the business. A third point, though not experienced by all, is the securing of loan finance to enable the business to start operating or take its first big step forward. All three of these moments are part of the realisation of the desire to be in business. There are other moments which are more dispersed with the main example being the sense of ‘not getting anywhere’ – the business is surviving but only just.

**Question 4**            *Where are the strongest points of intersection between the experience of developing entrepreneurs and the Red Door services?*

The Survey Results give a very clear answer to this question. The strongest points of intersection between Red Door and its successful clients are in the start-up phase. There are three elements to the intersection. The first is the advice given to the client by office staff. It is advice about the possibilities of the proposed business and goes on into the preparation of business documents

and the business plan. The second strong contact is through the company registration process where the business is formalised and legalised. The third (though not always successful) is the effort to negotiate finance for the business.

By way of contrast the other points of intersection such as training and networking, both of which could be considered as developmental rather than start-up are not nearly as strong.

**Question 5** *Is there a discernible pattern of successful interaction between Red Doors and entrepreneurs operating in different regional, business and cultural contexts?*

The short answer to this question is ‘yes’ – there is evidence of a discernible pattern of successful interaction in different contexts.

The survey team visited all 11 offices of the Red Door and tested the interactions with clients drawn from a wide variety of contexts and found a clear pattern of interaction across the different contexts. The pattern has been described several times in the paper and need only be summarised here as the ‘start-up support pattern’.

**Question 6** *Where do the entrepreneurs feel that the Red Door does not meet their needs and so wastes its resources on irrelevant or unnecessary services?*

The survey failed to put this question directly to any of the clients and it cannot therefore be given a strong answer but from the pattern of valuation which emerged in the enquiry into the relation between the businesses and the Red Door it can be said that the training programme as it is presently constituted is not offering what clients want. It may be that it needs to be re-designed to offer more specialised and focused training than at present as was requested by several clients.

## **Findings**

The Findings of the Study are given in full as they appear in the report.

Consequent on the quantitative results of the survey and the qualitative discussion which followed, the study reaches three principal findings.

1. The Red Door’s prime point of positive contact with its clients is at the business start-up phase. The advice given, the assistance provided with business documentation (including business planning) and the formal registration of the new business proves to have been highly valued by clients in a wide range of business and social contexts. This finding confirms the Red Door decision focus on the micro-business sector and demonstrates its capacity to establish new businesses and to fulfil its primary short term objective.
2. The Red Door has been less successful in building its capacity to provide longer term support to fledgling businesses. In part this can be traced to client attitudes (self-reliance in particular) but in part it indicates that the

follow-up support, financial assistance, training and networking are not adequately intersecting with client needs. It thus falls some way short of fulfilling its longer term objectives of sustaining small businesses and developing an entrepreneurial culture in previously disadvantaged contexts. The introduction of the Red Finance Programme may go some way to improving longer term capacity.

3. Our argument from the evidence has been that entrepreneurs are all ‘made’ through the formation of a ‘business identity’. In the process the Red Door already provides formalised elements of support that clients find valuable but our assessment is that these could be extended to include personalised business counselling.
4. The Red Door is insufficiently active in the public promotion of its goals, services and capacities. It’s public profile needs to be clearer and stronger in order to attract the attention of appropriate potential clients who are considering entry into business activity.

## **Recommendations**

Four recommendations flow from these findings.

1. The Red Door should maintain and expand its business start-up services.
2. The Red Finance Programme should be introduced across the regions to provide the contractual foundation between the Red Door and clients for longer term support and business development. Care should be taken not to cut across current managerial responsibilities and the mentoring relationship with clients should be built upon proven expertise and specialisations.
3. The Red Door should devise more robust strategies for engaging with the conditions created by the new policy environment. Particular attention should be given to preferential procurement possibilities and to the emerging black middle class economic culture which is being fostered by BEE policies.
4. The relationship between Red Door and SEDA should be strengthened and expanded with a view to building an entrepreneurial culture and promoting the public awareness of SMME services.

## **Conclusion of the Executive Summary**

The report concludes with a brief note of thanks from the research team the staff and clients of the Red Door.

## Introduction to the Comprehensive Report

The first phase of the impact study of the RED Door was submitted in October 2006 and subsequently accepted by the Provincial authorities. The first phase focused attention on the performance of the 11 RED door offices in the region and presented evidence and arguments regarding the impact that such offices could be expected to achieve. The original objectives of the research were given as follows

1. The principal objective of the research project is to define the forms of impact which the Red Door has demonstrated within the SMME sector in the Province and to determine the extent to which such impacts meet the objectives of the initiative.
2. The secondary objective is to evaluate the business plan under which Red Door was established and to consider any changes to it that might be necessary.
3. The third objective is to make recommendations to the Management of the Red Door on the installation of an effective long term monitoring and evaluation system which will assist in achieving consistent performance improvement.

This second phase of the study, originally planned as an integral part of the research, proposed to move the focus to the clients of the RED Door offices to determine the impact of the service. The objectives of the research were framed as follows in the proposal for the second phase of the study

1. The broad objective of Phase 2 research is to study and evaluate the impact of the Red Door system on the clients who have used the service.
2. The principal focus will be on the quality, relevance and utility of the services at the point of delivery.
3. The research will establish the value to clients of the services provided.
4. The research will issue in the form of a report which will enable Red Door Management at both regional and central office to realign provided services in terms of effective client use towards the achievement of the stated Strategic Objectives.

These objectives were restated in a Memorandum of Modification agreed in May 2008 between the Red Door and the research team

### The Structure of the Report

The report has eight parts.

1. The research questions which directed the research are re-stated as they were phrased in the Memorandum of Modification.
2. The research method used in the study is described.
3. A discussion of recent literature on SMME development is presented.

4. The results of the research survey are presented in quantitative form.
5. The survey results are given qualitative interpretation.
6. The Research Questions are answered
7. The findings of the study are presented.
8. Recommendations to the Red Door are made.

## 1. The Research Questions

In order to operationalise the research towards the achievement of the objectives the following set of research questions was generated.

1. *What are the critical differences between a 'natural' entrepreneur and one who is 'made'?*
2. *What is the nature of the psychological path along which a person travels to become an entrepreneur?*
3. *Are there critical points of experience in a typical career path?*
4. *Where are the strongest points of intersection between the experience of developing entrepreneurs and the Red Door services?*
5. *Is there a discernible pattern of successful interaction between Red Doors entrepreneurs operating in different regional, business and cultural contexts?*
6. *Where do the entrepreneurs feel that the Red Door does not meet their needs and so wastes its resources on irrelevant or unnecessary services?*

## 2. Research Method.

To initiate the research, contact was made with all 11 RED Door offices in the Province. Office managers were informed of the purpose of the research and asked to nominate 6 of their successful clients for the purpose of attending interviews with the research team of three members of the HSRC.

When the names had been received a selection of four names was made by the researchers to balance, in so far as was possible, the profile of the interview group in terms of gender, business type, race, age and length of business operation. An important consideration was that the success of the businesses was assumed on the basis of the managers selection

### *Questionnaire*

The methodological decision was made to pursue the research questions through a semi-structured questionnaire which would both bring all the interviews into relation with each other at the same time that it would allow individual candidates specific elaborations and qualifications in their responses. The final questionnaire of 47 questions is attached as Appendix I. It will be noted that the questionnaire has six focus sections

- A Demographic Information
- B Location of Business
- C Present Business situation
- D History of your Business (including Exploiting Opportunities to Grow and Major Setbacks over the period)

- E Your Business and the RED door
- F Conclusion and Recommendations

### *Interviews*

Interviews were conducted with 41 RED door clients. Nine of the offices produced the agreed four clients, but in each of three cases one of the selected clients was unable to be present.

Each interview lasted an hour or more depending on the complexity to the case. Following the terms set out by the HSRC ethics committee each interview opened with a negotiation of the consent of the client on the voluntary nature on the interview and the avenues of recourse open to any client with objections to the manner or content of the interview. Each client was asked to sign a 'consent' form recording the agreement on the procedures. The consent forms are lodged with the HSRC.

In the course of the interview notes were taken directly by the interviewer on to the interview form and formed a record of the responses of the clients to the 47 questions.

### *Quality of Response*

The general assessment of the researchers was that the interview schedules had been successful in eliciting rich and detailed accounts of the business life of the clients. The structure of the questionnaire served successfully to carry the client across a broad range of his/her experience in business and the openness of sections of the questionnaire successfully drew clients into the detailed dynamics of their situations. If there was a weakness in the questions it was that there was little opportunity to explore in financial terms the detail of capital expenditure, turnover and cash flow issues.

### *Processing the Information*

The raw information collected on the completed questionnaires required processing before it could become data available for interpretation. To move from information to data the sequence of questions were examined for the potential range of responses and codes were created to permit the classification of variables in relation to each other and subsequently to the structure of variables developed across the total collection of questionnaires. This constituted the first level of processing and appears in the report as results in tabular form.

The second level of processing took the patterns of frequency which emerged from the structures of variables and used them as the foundation for narrative interpretations directed at answering the research questions.

### *The Conclusions*

The conclusions will be valid in the sense that they will carry out what they assert – namely that they are methodologically demonstrated answers to the set

of questions posed in the plan for the research. There will however be limits to their reliability in the sense that another set of researchers carrying out a similarly designed study might reach different conclusions. The reason for this is that there are too many uncontrolled variables in the design of the research – the most significant of these being the Red Door managers selection of clients and their definition of what counts as success in SMME. It was apparent that different managers were working with different definitions of success. However there is some value to bringing this issue to the fore since it reflects back on the question of the Red Door impact – the overall subject of the research.

### 3. Review of Recent Literature on SMME in South Africa

#### *The Theoretical and Policy Literature*

The recent literature dealing with SMME development reveals significant shifts in the way in which SMME has been both conceptualised and implemented in the recent past (1995-2008). There are two important conceptual changes. The first has placed thinking about SMME in a broader and deeper historical and sociological context. The second has placed SMME more directly within the national framework for economic development by linking the concept and practice of SMME to the BEE policy. The second move, addressing issues of implementation, lies in the various Charters and codes of practice formulated by different economic sectors as well as in the policy of preferential procurement. This brief review of the literature will discuss each in turn.

#### *The Contextual Issues*

The contours of the historical context are given through accounts of black economic life from the pre-colonial period to the present. Professor Jeff Peires (2007)<sup>i</sup>, the historian of the Xhosa, focuses on the history of the economic contest between white settlers and the Xhosa in the Eastern Cape. His discussion is organised under five headings.

- The Pre-colonial economy in the Eastern Cape (land)
- The colonial onslaught (1811-1860)
- The new Entrepreneurs (1860 – 1910) (The rise and fall of the peasantry)
- The mineral revolution and the destruction of the black entrepreneurial class (1910 -1948).
- Attempted Revival – The failure of the ‘Homelands’ policy (1960 – 1994).

The sweep of the argument is made plain in the organising heads of argument. In the pre-colonial period the Xhosa subsistence economy rested principally on access to land for both pastoral and arable uses. The arrival of white settlers initiated intense competition for land access and led to a

century of warfare on the frontier. Peires makes the crucial, and not always noticed economic point, about the conduct and progress of the wars. He takes the familiar details of the recruitment of the Mfengu and other clans to the side of the British and their subsequent conversion to Christianity, and makes the case that it was from among these converts that a section of the Xhosa became affiliated to and initiated in Western modes of life – including forms of economic activity. Both Peires and Duncan Innes<sup>ii</sup> (2007) cite the justly famous study by Colin Bundy titled *The Rise and Fall of the South African Peasantry* as evidence of the marked success of the agriculturalists, transport riders and small scale manufacturers among the black convert groups. In Peires's terms, in competition with the white farmers "they more than held their own in the Eastern Cape heartland".

Dr. Innes<sup>iii</sup> notes a political dimension to the process through which the new class of farmers emerged when he says that 'this economic transition was not predetermined by the operation of any abstract economic laws, but arose through material struggles that were fought over many decades between the indigenous peoples in the Eastern Cape and the colonial invaders'.

The relevance of this early example of social contextualisation is significant for the understanding of the present position of SMME because it shows two things. First that indigenous Xhosa could, under the necessary conditions, be as entrepreneurial as anyone else. There was no doubt about the cultural shift which had taken place among the 'converts' but the entrepreneurial drive was convincingly demonstrated. The second, political, point which Innes alludes to, is relevant because it shows that economic activity is always grounded in, and interactive with, political circumstances. This is important for the continuing account of the ways in which political actions shape the economic terrain – an account which Innes follows through the period of the mining economy, Afrikaner nationalist rule and on into the present where he sees the issues of BEE as one more form of political intervention shaping the economic landscape and thus no different from any of the others .

A crucial part of the socio-historical contextualisation focuses on the effective disempowerment of black economic actors in the period from the passage of the Land Act of 1913 all the way through to the late 1980s. The white state, whether in the hands of more 'moderate' leaders backed by the mining interests, or held by the more extreme Afrikaner leadership, acted to restrict any form of competitive economic behaviour from blacks. The key issue seen in economic terms was the rapid accumulation of capital and it was political power that saw to it that white capital would grow and black capital would shrink. Along with access to capital came the development of managerial and entrepreneurial skills.

In the case of the Coloured people, of the Western Cape in particular, the historical economic trajectory is somewhat different. The history of slavery set the foundations of the coloured community and defined two critical developmental lines. The first was the condition of submission of the

whole community to the authority and direction of the white overlords. The second was the development of an economic culture in which, alongside direct labourer employment, artisanal small scale businesses were allowed to grow up around the margins of the economically dominant white community. The entrepreneurial culture, though not as thoroughly broken as the Black remained confined within the limits set by the political authority of successive white governments. On the one hand the Coloured labour preference policy guaranteed Western Cape coloured employment while on the other the service businesses were allowed to maintain their marginal position within the wider community.

Both Peires and Innes make it plain that they see future economic transformation directed at the accumulation of black capital through legislative action as not only necessary, legitimate and just, but essential in terms of long term stability and growth. The historical record shows the systematic destruction of black economic capacity and culture and the marginalisation of coloured economic culture. At the same time, through the history of the rise of Afrikaner capital, the record demonstrates the power of the state to transform economic capability. The overall perspective gives depth to the understanding of BEE (and SMME) and removes the distractions generated by the contemporary debate about the legitimacy and effectiveness of affirmative action in the economic field.

The overall passage marked out in the economic historical perspective is not contested, but not all commentators agree with the high valuation placed on BEE as a policy instrument for effective transformation of economic life.

Eric Mafuna, (2007)<sup>iv</sup>, as an example, believes that BEE is a ‘good short term measure’ but linking his comment to the historical record he observes that in the long term

it cannot be relied upon to build durable black-owned businesses. For this to be achieved, aspirant black business-people are going to have to go beyond BEE and start their own businesses. Black business will grow not by being given concessions here and there. As Black business in the nineteenth century showed, there are no substitutes for hard work in creating businesses. (37 )

Moeletsi Mbeki (2007)<sup>v</sup> is more than just dubious about the economic possibilities of BEE, seeing it rather as a vehicle through which the ruling class (which he identifies as the Minerals and Energy Complex) will hold on to its economic power by recruiting into its ranks the small black upper middle class.

The BEE model had been developed over many years since the establishment of the Urban Foundation in 1977 by Harry Oppenheimer and Anton Rupert. BEE entailed wealth redistribution from the oligarchs to the black upper middle class. An important, but secondary effect of this voluntary wealth redistribution was the emergence of a new class of unproductive, rich black politicians and ex-politicians who have become the key political allies of the economic oligarchy in preserving the MEC (Minerals-Energy Complex) (222)

Mbeki was recently reported on radio as saying that BEE should be replaced by SMME as the principal policy instrument for transformation.

### *SMME and BEE Policy*

The broad historical and sociological assessment of black economic life across the centuries may inadvertently leave the impression that the movement towards transformation which is currently under way has something teleological about it – that it is a logical outcome of the historical pathway which the country has taken. This suggestion should be carefully weighed before full acceptance. Diana Sanchez's (2008) general perspective on the SMME sector is worth attention for the point that it makes about the sector reflecting the divisions and patterns of the society. SMME is not exclusively a phenomenon of black business and has only recently become the focus of a general strategy for economic transformation .

An overview of the sector in the country and the institutional framework illustrates that the sector is as varied and divided as the South African society itself and that institutions have evolved to meet the diversity of needs. SMMEs range from survivalist initiatives to highly organised enterprises that have access to different resources and opportunities, serve different sectors and operate separately under two different economic contexts which have been described as the first and second economies. (212)

Historical studies which are focused more narrowly on the process of transformation since 1995 show more clearly the linkages between BEE and the SMMEs in the deracialisation of the economy. Vuyo Jack (2007)<sup>vi</sup> in an essay titled *Unpacking the Different Waves of Black Economic Empowerment* identifies three 'waves' of economic activity following in the wake both of economic and political initiatives. The first wave comes in 1993 with the formation of New Africa Investment Limited (NAIL) under Dr. Motlana. The NAIL deal (and others of the same kind) was put through at a high level on borrowed money and rested for its debt financing on a continuously rising market, when the market turned down the debt repayments rapidly outstripped the capacity of the company to meet its obligations and the deals folded. This did not happen in the case of Patrice Motsepe's entry into mining nor in the case of Puthuma Nhleko and MTN where as Ithumeleng Mhabane (2007)<sup>vii</sup> points out both they were able to secure capital unencumbered by debt. However in looking at both cases Mahabane asks the question

The Motsepe and MTN cases raise a fundamental philosophical question. What are we trying to create through empowerment – black enterprises, black equity or black capital.

and concludes

The transfer of vast mineral wealth, which formed the basis for modern South Africa, from one family to another implied, surely, that those who argued that BEE was a brilliant ploy by white business to maintain the status quo by creating a small black elite were surely right. (197)

A judgement which echoes Mbeki's view referred to above.

A critical point for this review, of the 'first wave' is that it had no connection with or impact upon SMMEs and black start-up businesses.

The 'Second Wave' of BEE identified by Jack develops out of Mining Charter and the BEE Commission of the Black Management Forum established under the leadership of Cyril Ramaphosa. The Commission reported in 2001 and broached the concept of broad-based BEE shifting the focus on from ownership to 'the other elements – including employment equity, skills development and preferential procurement' Taking the lead from the 2001 report the government released its own BEE strategy document and followed in 2004 with draft codes of good practice in broad-based BEE. This amounted to the first attempt to link BEE and SMME development.

There followed in Jack's words a 'Charter Festival' The Petroleum and Liquid Fuels Charter was first in November 2000 followed by the Mining Charter in 2002 and by March 2006 more than 30 Charters being considered in different sectors. These charters stimulated the whole BEE process and the 'second wave' can be characterised as drawing black people into a much greater hands-on engagement in the running of businesses at the same time as manifesting a backlash against the fact of the small elite benefiting from BEE.

As yet, however, it is significant for this review to note that even the second wave of BEE did not create any strong linkages between the BEE processes and the formation of new black SMME start-up businesses. The real link came in the Third Wave as Jack points out.

'The seed for the third wave of BEE was planted by the preferential procurement strategy of 1997. Preferential procurement is what made BEE a business imperative.

'The 1997 Green Paper on public sector procurement reform, released by Ministers Trevor Manuel and Jeff Radebe came up with a novel idea that would revolutionise the way business is done in South Africa. This idea took advantage of the leverage that government has in procurement to drive economic development and small, medium and micro enterprise development. In 2000 Minister Manuel tabled the Preferential Procurement Policy Framework Act which attempted to bring focus to transformation issues and also allocated points to functional areas of the procurement process such as quality and price' (108).

The distinguishing feature of the third wave is that black people start their businesses from scratch and grow them through the procurement and enterprise development opportunities that arise from BEE. The model is driven mainly by the following factors

Immediate cash flow arising from procurement opportunities is better than cash flow from ownership deals that could take numerous years before accruing to black people.

Starting their own business enables black people to have hands on involvement in the operation of the business and gives them the ability to create their own culture within it.

There is a greater ability to unleash the entrepreneurial potential of black people in starting and running their own business

The enterprise development element of broad based BEE is a tool that helps the business start up from the 'valley of death' that most business experiences in first two years of operation. Enterprise development enables start-up enterprise to receive operational and financial capacity assistance in order to make it more sustainable (111)

In these details Jack notes the crucial development in the linkage between BEE generally and black SMME start-up businesses. This represents a major shift in both policy and implementation.

Sanchez (2008)<sup>viii</sup> makes the same point in this way

Initially the DTI tended to draw a line between the empowerment strategy and SMMEs' development policies, the latter being dealt with in a separate framework. However SMMEs have increasingly come to be seen as part of the empowerment equation. Public statements and SMME policy guidelines increasingly demonstrate that policy evolution of SMMEs has been increasingly shaped by the prioritisation of BEE, affirmative action, job creation and poverty alleviation. This is how the policies and institutions for BEE and for SMME development are interrelated in different ways. (218)

The initial critical point of linkage between the two policy developments came through the institution of the first (generic) scorecard for BEE. However as Sanchez notes the early form of linkage was not without its contradictions

On the one hand, it stimulated the transfer of ownership to black entrepreneurs, opening new opportunities for black investors. Furthermore it provided opportunities for subcontracting, for the development and transfer of managerial and technical skills and for procurement-created business opportunities for many SMMEs that did not exist before. . . . .

On the other hand implementation has proven difficult and the system has not been fair in its demands on different types of business. Overall the smallest businesses struggled the most since the system put a lot pressure on them to become compliant since the same score card applied to both big and small companies. (218)

'Overall SMMEs became both beneficiaries and victims of the transformation process. On the one hand they were fostered by the governments institutional framework and by some BEE initiatives but on the other, compliance with the generic scorecard translated into administrative and economic costs that affected their performance'.(219)

However the institution of the Code for Qualifying Small Enterprises (QSEs) set new rules for SMMEs basing their position within the BEE scores on the number of employees and the annual turnover figures changed the situation. Micro enterprises were exempted from the code by being classified as already empowered.

The effect of the shift in classification for QSEs has been one where ‘the focus on ownership and management has been shifted to a broader approach in which development of skills, procurement and enterprise and social development play an equal role’.

Sanchez observes that though the new framework will assist both white and black owned SMMEs nevertheless

..it would be inaccurate to say that the playing field is completely fair: Black firms who have been historically disadvantaged and which in most cases did not exist before 1994 will still struggle more for finance, appropriate skills and success than their white counterparts. (221)

In an especially relevant evaluation Sanchez observes effects on the beneficiaries of present policy and implementation. Her basic comment is that

‘broadly speaking beneficiaries have been those enterprises which, and individuals who, have been in a better position to access support mechanisms (the larger enterprises or better qualified individuals) and those who have benefited least, have been those that have difficulty accessing information’.

The two principal factors, she argues, that could help (in establishing new black owned businesses and grow existing ones) are

‘the formation of the black middle class with resources to start new ventures and, second, procurement opportunities for existing SMMEs within the transformation strategy.....The new supply and demand pressure from the emerging middle class will serve as an engine for the new SMME sector.....The rapid expansion of black consumer spending has resulted in an increasing demand for new goods and services which is opening new markets. (224)

From the discussion thus far it is abundantly clear that SMME development is firmly on the national political and economic agenda. The broad historical pattern disclosing the destruction of black capital and capital accumulation and the accompanying culture is at the root of present policies and initiatives to reverse the process through an active pursuit of empowerment. The more narrowly focused history since 1994 provides a closer look at the purpose and practice of both government and capital - owning white business towards engaging with the conditions of black economic life, and to put in place frameworks and mechanisms which will provide the necessary support for the growth of a black-built, owned and managed business sector.

All commentators agree that substantial progress has been made despite the fact that the processes are still vulnerable to critiques of fairness and skewed benefit. Nevertheless beneath the consensus it is easy to see that black start-up businesses remain risky and difficult projects for anyone to take on and that the entrepreneurial culture is narrow and weak. The support systems do exist but they are only able to do so much for the people

who are able to access their services. An important insider view of the difficulties facing any aspirant black start-up business is provided in the paper by Sindi Zilwa (2007)<sup>ix</sup> titled *Black Economic Empowerment and Black Start-up Businesses*.

Zilwa follows Vuyo Jack in noting different waves or generations of small business enterprises. She identifies the early small initiatives as focused principally by perceived opportunities in the market to which intending entrepreneurs applied the capital that had (very often) become available through retrenchment packages. Observing these small scale ventures she notes ruefully they were not made 'on the basis of how money is made in that kind of business or any assessment of how easily a person could lose his or her capital'. Very often the opportunity was provided by the winning of a tender which opened the way for the formation of a business but did not give any indication of what might be involved in the running of such a business. In a second wave she sees SMMEs 'graduating to higher levels of economic activity such as building schools and clinics.

She sets out a brief sketch of the kind of world the budding entrepreneur found him or herself facing

'The only thing formal about these new businesses is their registration and the opening of bank accounts. Thereafter everything is informal, with the owner acting in a number of roles. The owner is at once the entrepreneur with the guts and daring to thrive in an uncertain and risky business environment, who has to identify and increase business opportunities, recruit, manage and lead the right people and look after the company's finances. The owner also has to have operational and administrative abilities, making sure services are delivered on time and to the satisfaction of clients, that everything is properly documented and that everything is done in full compliance with the laws and regulations affecting the business.' (206)

Zilwa's paper is most noteworthy for the robust and detailed account that she provides of the obstacles and difficulties which a small black start-up business has to face. She divides her attention between the conditions of the market, the issues of finance and cash flow, the managerial questions of employment and the importance of managerial information systems.

'However for any business to succeed, it has to be supported by a number of pillars, such as assessing the market, managing cash flow, managing people and information. (208)

Considering the market opportunities she shows that the kind of single opportunities offered by government tenders are not sufficient to establish sustainable enterprises – especially when the firm tenders at the lowest possible price to win the tender without realising the cost implications of undertaking the work at the level required.. There has, she says, to be 'a consistent flow of opportunities' which will provide the long term conditions for the development of sustainable businesses

For a market to be effective in the development of start-up businesses and ultimately for the development of a sustainable economy it has to provide a consistent flow of opportunities.’(208)

And she observes that because government has, in the past, frequently adopted a ‘fair deal’ policy in the award of tenders distributing opportunities to different firms it has had the effect of limiting the long term development of individual firms – in particular the establishment of the all-important ‘track record’ of success and the specialisation of forms of work

On issues of finance and financial management Zilwa points to the crucial distinction between capital expenditure and working capital.

Finance and cash flow are naturally the heartbeat of any business. No matter how many opportunities are available in the market , businesses can still fail due to the fact that they have been undercapitalised and/or have cash flow problems rendering them unable to meet the service delivery demands of their businesses. When new entrepreneurs think about capitalisation, the focus is mainly on the capital expenditure and not on the further working capital requirements of the business. Yet it is the working capital that will make it possible for the capital expenditure to generate the income expected. (210)

Managing cash flow is a consistent problem for small businesses and Zilwa gives a graphic description of their vulnerabilities. But BEE companies are in a weak cash flow position because (very often) they have only one debtor, one creditor and numerous suppliers.

‘The major debtor may use its muscle negatively against a small business (sole provider but not paying on time) there is very little the business can do to ensure that it receives payment at the right time for its business processes.

‘When the debtors are not paying, suppliers are demanding payment, wages and salaries are due and the bank is not keen to lend working capital due to an academic credit risk (in the eyes of the entrepreneur), most entrepreneurs quit and this leaves the playing field dominated by the few who believe in and thrive on conditions favouring the survival of the fittest.’ (211)

‘What further complicates the finance problem in small businesses is the inability to distinguish between cash in the till or the bank, on the one hand, and profits, on the other. As a result, many entrepreneurs innocently withdraw money from the business for personal use (even for necessities) without realising that this is tantamount to stealing from their own businesses.’ (211)

It is a grim picture of the problems of carrying forward a business which has little ‘muscle’ in the market and is at the mercy of the pattern of relations between debtors and creditors with which is dealing. To make matters worse is the fact that government departments often do not pay on time because they themselves are keen to demonstrate positive cash flow figures to their principals. Zilwa dryly observes

‘If the public sector can commit to paying its suppliers on time then black business start-ups would graduate to stable successful businesses; start-ups would increase in number and be able to survive and be profitable, thereby sustaining the job opportunities that have been created’. (212)

The management of employees and staff pose a different set of pressures and difficulties for SMMEs. Zilwa mentions that most start-up businesses use ‘a sentimental approach to employment’ in contrast to the professional procedures adopted by traditional businesses. Family members and friends often provide the staff for the business, with, Zilwa argues, a ‘negative impact on the culture of the working environment’. Relatives ‘display a sense of entitlement to their jobs and just do not put in the effort to impress their employers by getting the work done’. Friends are ‘also overfamiliar and cannot draw the line between employment responsibilities and neighbourly assistance’. Moreover it is difficult to fire or discipline relatives and friends considering the impact that it would have on families and the neighbourhood. The conclusion to the discussion of people management is that the ‘start-ups then end up having the least qualified people working for them’.

The final focus of Zilwa's warning advice relates to management information. All businesses require a flow of information on their current performance to make it possible to deal with any abnormalities and emerging difficulties. Small black-start-ups find it more or less impossible to devote resources to the information function, even at the level of an accountant, leaving them vulnerable to developing crises which might have been solved had the need for action been seen early enough’

The conclusion to Zilwa’s paper draws together the main themes of her paper.

BEE has played a major role in facilitating the increase of black start-up businesses, some of which have graduated to become sustainable businesses that are playing a significant role in our economy today. The comments in this chapter highlight some of the areas in both the public and the private sectors that can be improved upon in order to achieve an optimal yield for the South African economy. (215)

In the light of the account given by Ms Zilwa of the difficulties facing the aspirant entrepreneur it is no surprise to find that the sector has not performed to the high expectations that have been expressed by government and economic analysts. A recent report of a survey of the sector from the Africagrowth Institute<sup>x</sup> indicates that business confidence in the SMME sector decreased from 51% in the first quarter of 2008 to 46% in the second quarter and cited the main difficulties facing small business managers as ‘operating capital, capital and employee costs’ thus confirming Zilwa’s analysis of the obstacles in the sector

The evidence of the weak performance of the sector can be found in the South African study for Global Entrepreneurship Monitor GEM. The Monitor has an international focus and places South Africa against similarly developing countries on a year by year basis. The basic unit of measure is a composite index score measuring Total Entrepreneurial Activity TEA. The 2006 edition of GEM notes a fall in South Africa’s TEA score over 2005 and places the country

at the bottom of the table of developing countries. Sanchez quotes the findings in her paper

According to the 2005 South African Global Entrepreneurship Monitor (GEM South Africa has the lowest entrepreneurial activity rate of all the developing countries participating in the survey. (214)

Commenting on the GEM results the Financial Mail (June 2008) titled its piece 'Small Business in a Huge Mess'

The results can be seen in UCT's new annual entrepreneurship survey – the Global Entrepreneurship Monitor – published last week. As previous surveys have shown in SA only a small proportion of the population participate in entrepreneurial activities. This is unusual in a developing country with high unemployment where, typically, greater numbers of people start their own businesses.

The survey found that an alarming proportion of people aged between 16 and 35 believe that it is the government's responsibility to provide them with a job. Most people interviewed had never heard of SEDA (The Small Enterprise Development Agency) and only a tiny proportion had made use of its services.

The analysis offered by the FM focuses on the failure of the institutions set up to support SMMEs. In this instance it is SEDA which the Mail sees as suffering from a 'long unresolved leadership crisis' since it was set up 2004 'in a belated attempt to get a meaningful small business support programme going. Three years later SEDA is not yet out of the starting blocks'.

The article proceeds (admittedly without providing any evidence) to identify the weakness of SEDA as a failure of leadership.

Neither top management nor many of the staff appointed at the expensive network of offices that have been established knows much about business or entrepreneurship. And though SEDA has a board on which several business people serve, it does not have the power to hire or fire the top executive – a responsibility that rests with the Minister of Trade and Industry Mandisi Mphahlele.

As an operational judgement there is doubtless some truth in the charge made by the FM. For several years the GEM (and other studies mentioned in the first Red Door Report) has reported the very low levels of uptake of services provided by government agencies. The restructuring of the provision through NAMAC, the SBDCs, and Ntsika into the SEDA was itself a direct response to the failure of services to reach and to stimulate activity. However in the light of the literature reviewed in this discussion it is not difficult to see that the service agencies face a daunting task. It is very clear from the historical and sociological analyses offered that the black entrepreneurial culture of the past was systematically destroyed and that it will take a long time to re-establish anything similar. Zilwa's paper shows what such a culture will have to embody if it is to be able to provide the foundations and support for a new class of

entrepreneurs. All the commentators however agree that BEE is beginning to build an entrepreneurial middle class culture and that this will stimulate the growth and strength of the SMME sector.

Sanchez makes the point in this way

While progress in establishing new black-owned and managed enterprises and in the transformation of existing ones has been slow it should be stressed that there are two factors that could help to change the situation: first, the formation of a black middle class with resources to start new ventures; and second procurement opportunities for existing SMMEs within the transformation strategy. (222)

However the effects of the class formation process have not yet reached down into the small business sector to the same extent that it has powered the interventions of the small elite at the top of the economy. In conditions of high unemployment and the absence of either capital or collateral it is difficult to see how an SMME support service at either national (SEDA) or provincial (RED DOOR) levels can provide sufficient leverage in the total situation to make the opportunities visible, to limit the risks, and to stimulate the development of the essential financial and people skills to enable entrepreneurs to succeed. Perhaps the most that can be hoped for or expected is that the support services will act as initiators of the entrepreneurial/cultural process. Crucial to such a process will be clearer communication between government (at all levels) and the SMME sector, and the establishment of institutional linkages - especially at the municipal level where the contact between SMMEs and the procurement market is likely to be most direct. Strengthening municipal capacity will assist in the development of the SMME sector as well.

### *Empirical Literature*

There is a considerable volume of empirically based literature on SMME though most of it falls outside the time frame of this study which concentrates on recent studies. The pre-2004 literature (as reviewed in the First Phase Red Door study focused on the SMME period before the creation of SEDA and repeatedly stressed the failure of government SMME support structures to make contact with the small business sector. Simon Mc Grath's comment is characteristic of the finding

The overall picture that emerges is of enterprises that have been established with very little support from formal financial or business development services in spite of the attention and funding that has been directed to such institutions.

.....

The state and its agencies do not loom large in our story beyond the role of public education and training. Very few entrepreneurs in these studies make mention of the panoply of small enterprise development structures that exist in South Africa. <sup>xi</sup>

The need for support structures continues as a theme in the post 2004 literature. Radipere and van Scheers (2005) make the point forcefully

To promote small businesses' ability to exploit economic opportunities a support structure should be designed to address these shortcomings (identified in marketing and management)

These support structures should be as comprehensive as possible, including training in management and business skills, systems for financial support, assistance with the marketing of products and services, and counselling in running a business.<sup>xii</sup>

Christian Rogerson<sup>xiii</sup> (2006) finds somewhat different problems in a study of SMME activity in what he calls 'the peripheral spaces' of the South African economy. His focus is on two areas in the Free State Province where he conducted interviews with 147 small business operators and owners. He acknowledges the shifting policy environment in much the same terms as have been detailed earlier in the review but his interest in the research is to give attention to

SMME development and the upgrading of Black entrepreneurs in South Africa's peripheral development spaces. The specific objective is to investigate the profile of entrepreneurs and enterprises in the emergent SMME economy ; their business performance, constraints and support needs drawing upon a survey conducted with 147 emerging SMMEs across a range of economic sectors (66)

He notes, in passing, that 'the pattern of operation of the emergent SMME economy of Free State is similar to that which has been recorded in other urban township areas in South Africa' thus giving his study broader reference and relevance.

In Rogerson's sample he found that the majority of enterprises were unregistered and functioned as informal businesses. Of the 147 only 42 were formally registered – in particular only 10 of the 53 manufacturers and only 4 of the 21 construction enterprises were registered.

On the core issue facing start-up businesses the study is clear and unambiguous. It is the shortage of and the access to finance. Lack of equipment (or the finance for such equipment) hampers progress in construction and manufacturing and problems of 'inadequate markets' (or perhaps marketing) are 'strongly experienced'.

In terms of business performance assessed through income, sales and number of employees Rogerson notes that:

Despite increases in income and sales by nearly half of the sample enterprises there is little impact in terms of the expansion of the enterprises as regards job creation. In only nine of the 147 sample interviewees was there recorded any increase in employment (71)

From these figures an important conclusion is drawn:

This finding points to the significance of entrepreneurship development initiatives and of new enterprise births rather than reliance on the expansion of existing enterprises as the sole basis for achieving targets of employment creation within the SMME economy.

Though the study finds that the entrepreneurs are aware of the possibilities of tendering for government contracts under the new preferential procurement

rules, the conclusion that it comes to on the issue is, like Sanchez, that ‘the issue of contracts or government tenders is relevant for only a small segment of the emergent SMME economy’.

Most entrepreneurs reported that their applications for tenders had not been successful (in many cases because the enterprises were not registered) with the few successful tenderers confined to construction enterprises. (73)

Questioned about the forms of support which would be of most use to SMME enterprises the conclusions were clear. At the first and most important level it would be access to micro-finance and improved access to business advice. At a secondary level it would be access to premises and market-linkage support.

The sobering conclusion to the study is that the results ‘do not provide a very positive picture of the state of the emergent SMME economy of Free State’.

As a whole a picture emerges that most enterprises were set up out of necessity rather than choice in a context of the weakened state of employment-creation in the formal economy, thus, a situation of micro enterprise development for survival.

Rogerson’s paper is a valuable contribution to the discussion which this research engages. Though it is location specific in its focus the form of enquiry and the presentation of its findings it has a strong bearing on the enquiry into the impact of the RED Door which is reported in the remainder of this document.

The significance of Rogerson’s work is confirmed in a paper by Molapo, Mears and Viljoen<sup>xiv</sup> (2008) who in a review of the empirical literature titled ‘Development and Reforms in Small Business Institutions since 1995’ cite Rogerson’s successive evaluations of the governments small business programmes between 1994 and 2003 and summarise the findings in terms similar to the ones given just above.

Regarding employment creation the contribution of small business is low. Small businesses often do not expand beyond one person operations through their lifetime. This hampers their expected contribution of employment creation. Although micro-enterprises form a large portion of small businesses in South Africa this category has little prospects for further growth and development in terms of employment creation and annual turnover. (32)

The Global Entrepreneurship Monitor South African Report 2006<sup>xv</sup> summarises the overall conditions for entrepreneurship in two tables:

.Factors that limit Entrepreneurial Activity in South Africa

- The education system does not encourage entrepreneurship as a career – it is seen as something you do when you cannot find a job or do not have a profession
- There is a lack of resources available to start one's own business – banks want too much security.
- Regulations create huge administrative burdens and high costs when you are starting a business
- South Africa is not highly entrepreneurial due to factors such as sanctions in the past and the education system that does not encourage entrepreneurship
- The environment in which children grow up influences them to believe that it is better to find a job and be safe.
- Starting a business is a risky process that often involves cycles of failure. South Africa has a harsh attitude to failure which inhibits many potential entrepreneurs.
- Infrastructure and the necessary skills required for the development of entrepreneurship are lacking.
- A paradigm of entrepreneurship does not exist. The expectation is that big business, government and others should create jobs rather than that one should create one's employment.
- Competencies such as management and entrepreneurship skills are lacking among entrepreneurs.

#### Factors that can increase entrepreneurial activity in South Africa

- Provide clear definitions for key concepts such as political and economic development, poverty alleviation and economic development
- Entrepreneurship should be developed from an early age through the education system. The right skills for modern entrepreneurship should be developed.
- Access to cheaper and different funding models must be developed – e.g. quasi funding, grants
- A one stop shop and integrated approach for the development of entrepreneurship is necessary e.g. the development of SEDA and Business Place
- Corruption and nepotism must be ruled out by the politically powerful
- Integrated support services such as training, research and consulting must be developed and implemented
- Access to venture capital must be improved
- Service delivery on various government levels must improve drastically.
- Policy conflicts should be highlighted and solved between government departments
- Different support measurements should exist for the development to different entrepreneurial groups e.g. necessity and opportunity entrepreneurial groups.

The GEM report summary brings together political, economic, educational and cultural issues but it lacks the historical dimension provided in the Peires and Innes papers referred to earlier.

#### *Conclusion*

Within its wider concern with the conditions of Black entrepreneurial culture and the development of black enterprises the literature surveyed in this section of the report sets out two contrasting perspectives on the support systems set up by government to promote SMME activity.

In the one perspective the need for support systems (such as Red Door) is repeatedly emphasised. The fragility of the enterprises and the complexities of finance and the market leave even well designed businesses vulnerable to a wide variety of uncertainties and risks. Support systems are needed to make it possible for SMMEs to survive and flourish.

In the second perspective it is equally clear that the existing support services are not succeeding in providing the resources and supports to effectively develop

the sector. The positive shifts in the policy environment are not being matched at the level of the business capacities of the black enterprises.

The research reported in this paper is designed to explore the tension between these two perspectives through a limited enquiry into a range of ‘successful’ enterprises. The focus of the research is on the ways in which the RED Door support service has most effectively provided for and contributed to the success of the enterprises selected. By these means it hopes to make a contribution to the development of national support systems for the development of SMME.

purpose of the present research is to identify the levers in the service that have been found useful by successful entrepreneurs in their actual business conditions. The literature suggests some directions for the enquiry but also acts as a warning against exaggerated expectations of service successes.

#### 4. Survey Results

The full result of the survey of Red Door clients is attached as Appendix 2. It shows, in tabular form, the range and frequencies of all the responses to the 47 questions posed in the questionnaire. In the following discussion of the results, tables will be selected from the total list and grouped to create descriptions of the sample population, the sample of business circumstances, business resources, the forms of practice of the business owners, and the forms of interaction between the business owners and the Red Door offices.

The resulting descriptions constructed from the survey information will provide the basis for the interpretation of the relations between the Red Door and its clients and will open the way to answering the research questions set out in the proposal and its attached Memorandum of Modification.

#### *The Sample Population*

The 41 people interviewed were pre-selected from the full client list of all 11 Red Door offices in accordance with the researchers request to the office managers to recommend 6 of their clients whom they considered to be successful in their business ventures. The sample population is therefore deliberately skewed towards a definition of ‘success’. This was seen as a necessary first step since the request from the Red Door Management was to provide information and judgement on the means through which the Red Door was succeeding in creating entrepreneurs. Of the 6 nominations from each office the researchers selected 4 to balance the various factors (gender, race, type of business etc) shaping the population.

In the request to the office managers the definition of ‘success’ was left deliberately broad to allow the managers to interpret the term in whatever way they thought best.

**Table 1: Age**

	<b>Frequency</b>	<b>Valid Percent</b>
36 and above	27	65.9
35 and below	14	34.1
Total	41	100.0

**Table 2: Highest Education**

	Frequency	Valid Percent
Secondary	27	67.5
Tertiary	9	22.5
Primary	4	10.0
Total	40	100.0

**Table 3: Gender**

	Frequency	Valid Percent
Male	23	56.1
Female	18	43.9
Total	41	100.0

**Table 4: Race**

	Frequency	Valid Percent
Coloured	24	58.5
Black	13	31.7
White	2	4.9
Indian/Asian	2	4.9
Total	41	100.0

The dominant profile emerging from the tables is that of a mature, male, Coloured with secondary education qualification. The individuals with tertiary qualification were in most instances qualified with Diplomas of one kind or another. There was one graduate with a BCom. The secondary profile constructs a youthful, (under 35) female, Black person with a tertiary qualification. These are aggregate profiles and they are useful only in so far as they indicate that the sample population was well within the target frame set by the Red Door for the clients it wishes to serve. The figures for educational qualification are significant for the attention they draw to secondary education (and above) and the correspondingly low score for primary education only.

In the racial classification table it is previously disadvantaged people (Black and Coloured) who dominate the sample. The Whites and Asians, though interesting in themselves as clients of the Red Door, appear as anomalies.

### *Business Circumstances*

**Table 5: Premises**

	Frequency	Valid Percent
Home	22	53.7
Premises	19	46.3
Total	41	100.0

**Table 6: Business Type**

	Frequency	Valid Percent
Construction	10	24.4
Service	9	22.0
Manufacturing	6	14.6
Clothing and textiles	3	7.3
Arts and crafts	2	4.9
Automotive	2	4.9
ICTs	2	4.9
Retail	2	4.9
Agriculture	1	2.4
Entertainment	1	2.4
Tourism	1	2.4
Transport	1	2.4
Waste recycling	1	2.4
Total	41	100.0

**Table 7: Work Time**

	Frequency	Valid Percent
Full-time	35	85.4
Part-time	6	14.6
Total	41	100.0

**Table 8: Period of Business Operation**

	Frequency	Valid Percent
Between 1yr-3yrs	19	46.3
More than 3yrs	13	31.7
Less than 1 yr	9	22.0
Total	41	100.0

The Premises table (5) shows that just less than half of the entrepreneurs in the sample operate out of their homes and an inference might be drawn regarding the size of the businesses involved. However later answers to a question about the problems encountered will show that a significant number of respondents identified the absence of premises as an obstacle to their operations.

Under the classification of Business Types the most striking figures are those for Construction, Manufacturing and Service, which together make up nearly a third of the total response: the remainder of the categories seldom drawing more than 2 respondents. One reason for the concentration in the three main categories may be that the classificatory terms cover a very broad range of activities and include a wide variety of business sizes. 'Construction' for example can cover almost any form of work between individual bricklaying to large scale contract operations. Likewise 'service', which served to include pet grooming on the one hand and security agency operations on the other.

Possibly the greatest surprise in the figures are the low numbers for retail, tourism and transport – all of which are often considered to be typical of the small business field and each of which has been actively promoted by both government and the private sector.

85% of the people interviewed work full-time at their business making it plain that the survey was tapping successfully into genuine entrepreneurial activity. Of the 6 part-timers most were in the process of gearing up to become full-time workers.

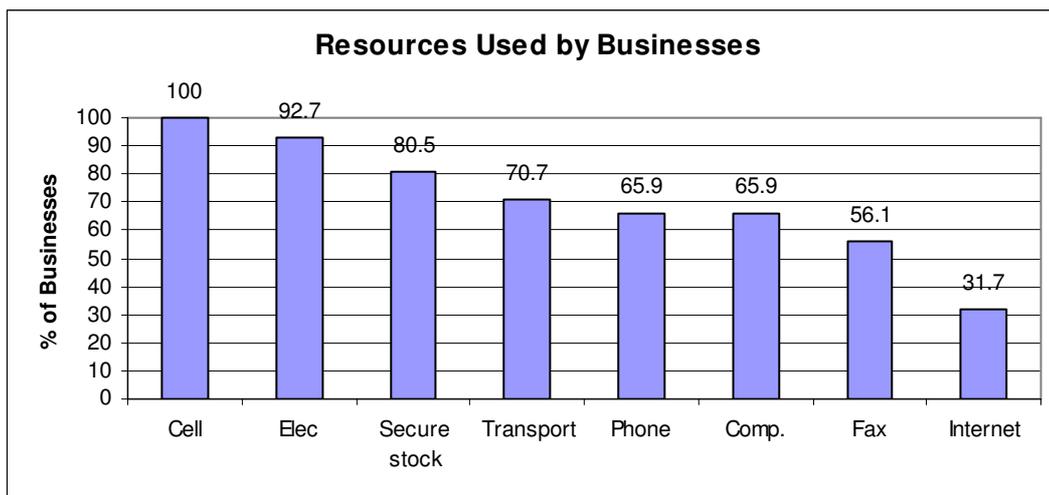
88% of the businesses surveyed have been in operation for more than a year. This figure may suggest more permanence than it perhaps should because it is well-known, and noted in the literature, that it is the second year which poses the strongest threat to the survival of small businesses, Nevertheless that 31% have been in operation for more than 3 years gives some reassurance on the issue of survival.

### *Business Resources*

The Business Resources questions were designed to gain a measure of the levels of administrative development present in the community of small business entrepreneurs.

**Table 9: Resources Used**

%	Cell	Elec.	Secure stock	Transport	Phone	Comp.	Fax	Internet
Yes	100.0	92.7	80.5	70.7	65.9	65.9	56.1	31.7
No	0	7.3	19.5	29.3	34.1	34.1	43.9	68.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



The most startling figure is the 100% usage of cell phones – although a moment’s thought fits the finding easily into the world of the small business entrepreneur where accessibility is critically important. Less immediately striking but nonetheless expressive is the relatively low usage of landlines and therefore faxes.

(At least two of the interviewees spoke of receiving their faxes through the Red Door office). The low landline use may be a response to expense or it may refer to the premises issue. In the electricity question those who responded with a ‘no’ answer were in most cases referring to the fact that they used the electricity of the site on which they were carrying out their work. Only one, a brickmaker working well outside town, used no electricity of any kind in his business. Computer use proved to be unexpectedly high (66%) although internet use was correspondingly low (31%).

The overall measure of Business Resources suggests that the sample interviewed are reasonably well-equipped to carry out at least routine administrative activities.

### *Business Status*

The Business Status questions were intended to gauge the level of formality with which the business operated. The key issues were the number of people employed, the formal registration of the business and the level of engagement in the wider business environment.

**Table 10: Number of People Employed**

	<b>Frequency</b>	<b>Valid Percent</b>
5 or less	25	61.0
6-10	7	17.1
More than 30	4	9.8
11-15	2	4.9
20-30	2	4.9
16-20	1	2.4
Total	41	100.0

**Table 11: Type of Employment**

	<b>Frequency</b>	<b>Valid Percent</b>
Full time	16	39.0
All-combination	9	22.0
Part time and Full time	7	17.1
Part time	5	12.2
Casual	1	2.4
N/A	3	7.3
Total	41	100.0

**Table 12: Business Registration**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes	37	90.2
No	4	9.8
Total	41	100.0

**Table 13: Business Association Membership**

	<b>Frequency</b>	<b>Valid Percent</b>
None	24	58.5
Local Businesses institution	9	22.0
Government institution	8	19.5
Total	41	100.0

The survey is clearly skewed toward micro business activity – a fact visible in the both the levels of employment which the businesses create and in the mix of full time, part time and casual types of employment. However the higher employment levels of some of the sample give at least some indication that the Red Door is in contact with small businesses as well.

The high percentage result for the registration of the businesses is particularly significant in the light of Rogerson’s research findings which note the low number of registrations in the area which he studied. The Red Door clearly has a major role in the registration process – a point that will be discussed more fully later in the report.

The business membership question was intended to test the entrepreneur’s interest in, and capacity for, linking up with organised business groups and the result shows a disappointingly large group of people who have no affiliation with organised business or government institutions. This is perhaps a further indication of the dominance of the micro-businesses in the sample.

### *Business Histories*

An important part of the questionnaire was devoted to exploring the business history of each entrepreneur from start-up through the experience of growth, success and difficulty.

The first two questions probed the relationship between the desire to have a business and the counter experience of having a job.

**Table 14: Always Wanted Own Business**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes	33	80.5
No	8	19.5
Total	41	100.0

**Table 15: Had a Job**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes	35	85.4
No	6	14.6
Total	41	100.0

The interest of these results lies in the high scores for both wanting to own a business, and having had a job, It is not possible, on the face of it, to say that the scores run parallel but there is at least an inference that having had a job was for many a preparation for entering business activity. However there was evidence for three interviewees that the link between having a job and going into business was the fact of retrenchment. Each of the three were paid out and used the money to found the venture. Losing the job was the trigger to the decision to open a business.

The following table (16) tests the general inference in a slightly different way. It gives the results to the question whether the entrepreneur in starting a business responded to a perceived opportunity or found him/herself compelled by immediate need to make money.

**Table 16: Saw a Business Opportunity**

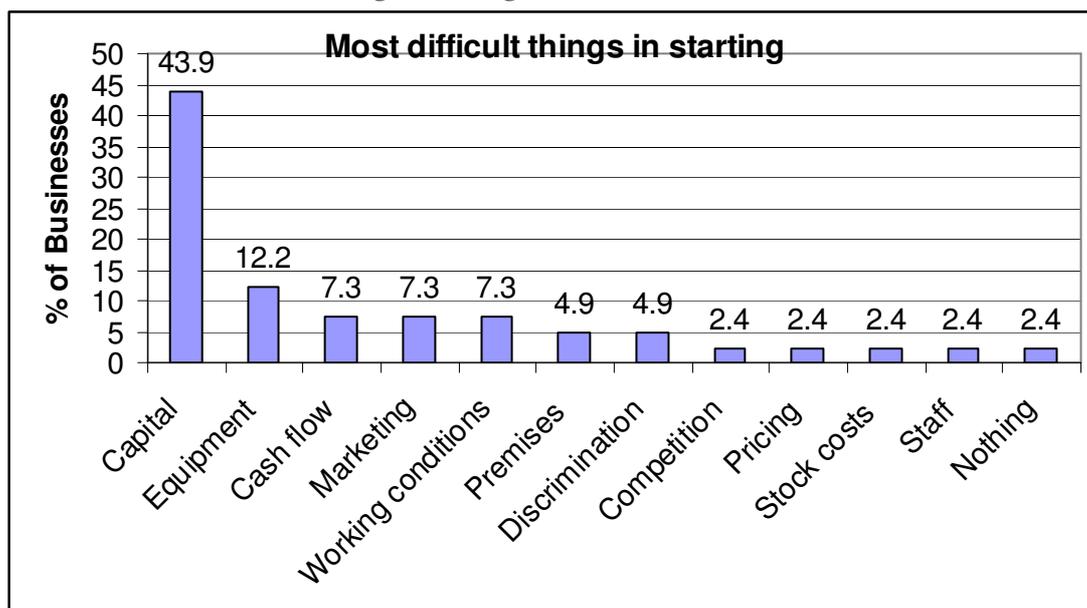
	Frequency	Valid Percent
Yes	39	95.1
No	2	4.9
Total	41	100.0

**Table 17: Had to Start a Business**

	Frequency	Valid Percent
Yes	15	36.6
No	26	63.4
Total	41	100.0

The results give a convincing account of the genesis of a successful business. The desire to be an entrepreneur is far stronger than the need to become one. Whether that desire was present from an early age or whether it was only felt by the business person from the vantage point of the present is not possible to say, but it is clear that none of the respondents wished to abandon business as a career. This appears to confirm the view that many respondents used their experience of jobs as a preparation for business.

**Table 18: Most Difficult Thing in Starting a Business**

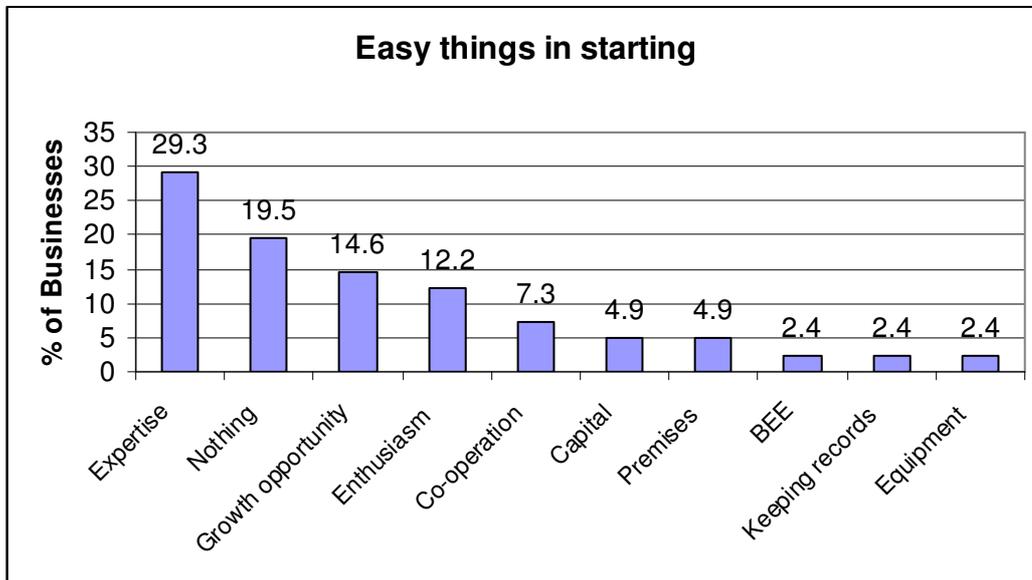


It is no surprise to find the issue of capital dominating the table. In fact capital in all its forms (start-up, working, premises, equipment, stock) takes the percentage figure up to 70% dwarfing the other range of difficulties arising out of business practices (competition, pricing, discrimination, marketing, staff and working conditions). Access to capital is plainly the critical factor in starting and running a small business.

The following table (19) elaborates the issue of capital access by the focus it brings to the things that the start-ups found 'easy'.

**Table 19: Easy Things in Starting Own Business**

	Frequency	Valid Percent
Expertise	12	29.3
Nothing	8	19.5
Growth opportunity	6	14.6
Enthusiasm	5	12.2
Co-operation	3	7.3
Capital	2	4.9
Premises	2	4.9
BEE	1	2.4
Keeping records	1	2.4
Equipment	1	2.4
Total	41	100.0



This table (20) of results showing the things that entrepreneurs found easy to accomplish in starting up reveals the counter condition to the lack of capital. The profile that emerges clearly from the figures is of individuals with enthusiasm, skills and expertise who have identified a business growth opportunity and are ready to go to work. If one totals these positives the figure comes to 56.1% . What they lack (taking the numbers from the previous table) is capital although note

should be taken that at least 2 people found getting capital easy. Despite the strongly positive profile it is also true that nearly 20% found ‘nothing’ easy.

The capital issue returns in the following two tables dealing with loans and loan repayments.

**Table 20: Received Loans**

	Frequency	Valid Percent
No	14	34.1
Yes from other institution	13	31.7
Yes from bank	8	19.5
Yes from people	6	14.6
Total	41	100.0

34% of the sample had no loans though it is not clear whether they were refused a loan or had no need of one. The bank loans are limited in number but with the ‘other institutions’ included (those mentioned included Cassidra, New Business Finance and Umsombomvu) the figure rises to just over half of the sample. Loans from other people (generally family and friends) are lower could be than expected.

The repayment pattern is interesting in at least the fact that the number of people repaying their loans is the same as the number who have loans from banks and other institutions – 51.2%. Whether this means that all institutional borrowers are repaying on time is not possible to determine. The figure for the Not Applicable category is anomalous since it does not correspond to the figure for the people who had no loans.

**Table 21: Paid Loans**

	Frequency	Valid Percent
Yes	21	51.2
No	5	12.2
N/A	15	36.6
Total	41	100.0

In general terms what the table (21) shows, is a creditable commitment to the repayment of loans granted, with only a 12.2% default rate.

### *Using Opportunities to Grow*

The following six tables are the results of questions directed at the issue of business growth. The first asks what the entrepreneur felt was his/her biggest step forward in building the business. It is important to note that the question did not ask the respondent to choose between a range of different options – it was open ended and the categories represented in the table (22) were generated by the responses of the interviewees.

**Table 22: Biggest Step Forward**

	Frequency	Valid Percent
Decision to start	8	19.5
Asset acquisition	6	14.6
Growth opportunity	5	12.2
Marketing	5	12.2
Capital	4	9.8
Getting contract	4	9.8
Preferred supplier status	3	7.3
Premises	2	4.9
Winning tender	2	4.9
Accumulating stock	2	4.9
Total	41	100.0

The surprise of this table (22) is in ‘The Decision to Start’. At 19.5% it is not excessively prominent but that it should turn out to be the majority figure is unusual because it is so different in form to all the other categories which deal with typical aspects of business activity. It suggests that the moment of beginning is perhaps felt to be risky and potentially dangerous but that once the decision has been taken a boundary has been crossed and a new direction taken.

A different kind of significance can perhaps be found in the low scores attached to the securing of contracts and tenders and even capital. By contrast the range of higher scores includes marketing, growth opportunity and asset acquisition which tend to suggest that for some of the entrepreneurs it was the building of business capacity that was more important than securing the longer term work which is the subject explored in the following table.

**Table 23 Won Tenders and Contracts**

	Frequency	Valid Percent
No	11	26.8
Yes a contract	19	46.3
Yes both	3	7.3
Yes a tender	2	4.9
Application made	1	2.4
NA	5	12.2
Total	41	100.0

In positive figures contracts dominate the table (23) though what is perhaps more significant is the composite number of ‘negative’ numbers (‘No, Not Applicable and Application made’) in the table (41.4%) and the very low number of tenders – 12.2% at most. What these figures taken together suggest is a confirmation of the earlier point that the sample is dominated by micro-businesses which tend to

operate at the far fringes of the formal economy. One should recall that a ‘contract’ can be for both small and large pieces of work and in many of the cases shown in the Business Type table (6) the contracts were in fact small.

**Table 24: Has Income Grown in the Past Year?**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes	34	82.9
No	5	12.2
Uncertain	2	4.9
Total	41	100.0

Whatever the size and capacity of the businesses reviewed in the tables it is encouraging to note that 82.9% claim that income has grown in the last year suggesting that the businesses are making progress but as the following table (25) indicates the income growth is likely to be small since 41.5% of the respondents are not making enough to invest further in their businesses. The implication of this figure could be that many of the businesses are progressing very slowly, if at all.

**Table 25: Making Enough to Invest**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes	24	58.5
No	17	41.5
Total	41	100.0

In the discussion of previous tables we have noted the positive attitudes which the entrepreneurs had towards their own business situations and they are evident once more in the table (26) answering the question ‘Do you think your business is successful?’ Only one person (2.4%) answered directly ‘no’ another 7 had doubts.

**Table 26: Is Your Business Successful?**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes	33	80.5
No	1	2.4
Not Yet	7	17.1
Total	41	100.0

When asked to explain why they thought they were successful the following range of responses were recorded.

**Table 27: Why is Your Business Successful?**

	<b>Frequency</b>	<b>Valid Percent</b>
Still in business	12	29.3
Customer satisfaction	10	24.4
Business confidence	9	22.0
Income increase	6	14.6
N/A	4	9.8
Total	41	100.0

The interest in these explanations is in the first ‘Still in Business’ and the third ‘Business Confidence’. Put together as evidence of the same condition of positive self confidence as already noted on several occasions in the report we can see that just more than half of the respondents assess their success in terms of their own attitude to the business rather than to any external or objective measure.

In the course of assessing the opportunities for growth the questionnaire raised the counter question of ‘setbacks’ experienced in the business.

**Table 28: Major Setbacks Experienced**

	<b>Frequency</b>	<b>Valid Percent</b>
Cash flow	8	19.5
Discrimination	5	12.2
Capital	4	9.8
Personal	4	9.8
Staff	4	9.8
Marketing	3	7.3
Premises	3	7.3
Loss of equipment	3	7.3
Rising costs	2	4.9
Crime	1	2.4
Loss of stock	1	2.4
None	3	7.3
Total	41	100.0

Perhaps the first item for attention is the fact that three people felt they had had no setbacks at all – possibly a further example of the determinedly positive attitude referred to above. After that, and predictably enough, it is capital and cash-flow that stand out as the forms of setback experienced though there are surprisingly high scores for ‘discrimination’, ‘staff’ and ‘personal’ indicating a factor which has not appeared before in the survey – the possibility of poor interpersonal relations in the business environment. Crime, which might have been expected to register

strongly is hardly evident at all, although ‘loss of equipment’ may be related to the crime issue.

In the following table (29) sources of help for dealing with the setbacks were canvassed.

**Table 29: Where Did You Seek Help?**

	Frequency	Valid Percent
Red Door	14	35.0
Self handled	10	25.0
Nowhere	5	12.5
Other Businesses	4	10.0
Friend/Colleague	3	7.5
Municipality	2	5.0
Other	1	2.5
N/A	1	2.5
Total	40	100.0

There may be a degree of bias in the top position given to the Red Door as a source of help because the interviewees all knew the character of the research and could have been keen to give a favourable account of themselves and the Red Door. Nonetheless it is gratifying to have the highest figure given to the Red Door, followed by ‘self-handled’. The same pattern is repeated in the next table (30) which considers ‘who helped the most?’.

**Table 30: Who Helped the Most?**

	Frequency	Valid Percent
Red Door	13	31.7
Self help	9	22.0
Friend/Colleague/Family	7	17.1
No help	7	17.1
Other Businesses	3	7.3
Received training	1	2.4
N/A	1	2.4
Total	41	100.0

### *Your Business and the Red Door*

The final section of the questionnaire examined the relations between the entrepreneurs and the Red Door. The intention was to get the clients to give their experience of working with the Red Door and to identify, if possible, the value

which they placed on the various aspects of the service. The first question asked about the initial point of contact between client and Red Door.

**Table 31: How Did You Get to Know about Red Door?**

	<b>Frequency</b>	<b>Valid Percent</b>
Word of mouth	20	48.8
Media	10	24.4
Saw office	8	19.5
Other Businesses	2	4.9
Via SEDA	1	2.4
Total	41	100.0

The most important finding in this table (31) is the high percentage of people who find out about the Red Door by word of mouth – exactly twice as many as those who hear about the service through the media – generally either through a newspaper or pamphlet. There are both positive and negative observations to be made about the both forms of contact. The positive side is that people are talking about the Red Door and recommending its services but the negative side is that the Red Door does not seem have an effective direct marketing strategy. In effect the Red Door is a passive recipient of client attention.

**Table 32: What Were You Looking for on the First Visit to Red Door?**

	<b>Frequency</b>	<b>Valid Percent</b>
Start-up advice	10	24.4
Company registration	9	22.0
Start up capital	8	19.5
Working capital	6	14.6
Drawing Bus documents	3	7.3
Tender form assistance	2	4.9
Preferred supplier status	2	4.9
Training	1	2.4
Total	41	100.0

The distribution in the table (32) points to the primary service which the clients come in search of. The top four scores all point towards start-up assistance – either with capital or with formalising the business. Training on the other hand scores low in the table, although that may well be because the question asked specifically about the first visit to the office. Clients want help to get started.

The table (33) which follows explores the client-office relationship from the other side answering the question ‘What did they offer you – was it of any help?’

**Table 33: What Was Offered?**

	<b>Frequency</b>	<b>Valid Percent</b>
Business documents	13	31.7
Business registration	10	24.4
Loan application	6	14.6
Training	4	9.8
Start-up Advice	3	7.3
Business networking	2	4.9
No help	2	4.9
Database registration	1	2.4
Total	41	100.0

The scores make a clear point – it is the formalising of the business through plans and the registration of the company that count most, although assistance with loan applications should not be overlooked. Advice gets a surprisingly low score - a result which conflicts not only with the previous table but with a later table (39) where it scores highly in a list of the ‘most important things received from Red Door’. It is not clear what the result in this table means.

Whatever specific benefits clients gained from visiting the Red Door the following table (34) establishes that for the interviewees the experience was strongly positive. 80% of the sample said they visited the office ‘often’.

**Table 34: Often Back at Red Door?**

	<b>Frequency</b>	<b>Valid Percent</b>
Often	33	80.5
Seldom	8	19.5
Total	41	100.0

Part of the contribution which Red Door seeks to make to small business development is through building networks of business people and offices invite clients to networking sessions of one form or another. The survey posed two questions about networks – whether the interviewee had made contact with business people through Red Door networking and whether the contacts have provided any help.

**Table 35: Made Networks?**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes	24	58.5
No	17	41.5
Total	41	100.0

**Table 36 Networks Helped?**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes	16	39.0
No	10	24.4
N/A	15	36.6
Total	41	100.0

Both tables record positive results for the networking procedures but the percentage of negative answers in both cases is higher than could be expected suggesting that the networking activities are far from reaching their full potential.

The following two tables (37, 38) approach the finance issue directly looking at the role of the Red Door played in financial assistance,

**Table 37: Did Red Door Assist with Finance?**

	<b>Frequency</b>	<b>Valid Percent</b>
Yes with other finance institution	17	41.5
No	17	41.5
Yes with bank	7	17.1
Total	41	100.0

The scores for assistance with loan finance are marginally on the positive side of success although the number not receiving help is the same as that for 'help from other institutions though it should be remembered that some of the sample were not interested in loans

**Table 38: Has Red Door Helped with Tenders?**

	<b>Frequency</b>	<b>Valid Percent</b>
No	23	56.1
Yes	9	22.0
Application made	9	22.0
Total	41	100.0

Assistance with tenders is disappointing since preferential procurement has become (or is becoming) such an important source of small business development. 56.1% have not received tender support (and presumably have not won any tenders) while those who have received support are the same percentage as those who have 'made application'. The possibility exists that none of the sample have actually won tenders though many have been trying. These disappointing results certainly confirm the earlier findings of what clients were looking for in their visit to the Red Door – (only 4.9% were looking for tender form assistance).

Possibly one of the most significant tables (given here below - 39) was developed in response to the question ‘What was the most important single thing you got from the Red Door?’

**Table 39: Most Important Thing Received?**

	<b>Frequency</b>	<b>Valid Percent</b>
Start-up Advice	12	29.3
Business Registered	9	22.0
Business Docs	6	14.6
Help	4	9.8
Access to finance	3	7.3
Training	2	4.9
No help	2	4.9
Admin	1	2.4
Database Registration	1	2.4
Marketing	1	2.4
Total	41	100.0

The results here return us to the now familiar point of the formalisation of the business as the most important support received. Start-up Advice and Registration top the list closely followed by the documentation. We should however recall the anomaly about advice recorded earlier. Access to finance we know is a major problem but it scores low in this table because the Red Door has been unable to meet the need. What is perhaps also surprising about these results is the relatively low scores given to the business processes of management and administration suggesting once more that the businesses are generally too small to produce or to identify major administrative and managerial problems.

The table (40) which follows asked clients to identify their biggest problem at present. Predictably finance topped the table with premises and lack of equipment contributing to the dominance of the need for capital.

**Table 40: Your Biggest Problem at the Moment**

	<b>Frequency</b>	<b>Valid Percent</b>
Finance	21	51.2
Lack of equipment	6	14.6
Premises	5	12.2
Marketing	5	12.2
New Tech	1	2.4
Discrimination	1	2.4
Staff	1	2.4
Client's poor Bus practice	1	2.4
Total	41	100.0

This table shows some variance from the previous measure of ‘the most important thing received from Red Door’ where ‘finance’ scores low in the table. The probable reason is that this question asked about the immediate present whereas the previous one questioned the whole experience of the client and the Red Door.

**Table 41: Can Red Door Help You Solve it?**

	Frequency	Valid Percent
Possibly	19	46.3
Yes	11	26.8
No	10	24.4
N/A	1	2.4
Total	41	100.0

The ‘yes/no’ responses are almost equally divided while the ‘possibly answer is almost twice as large as either. The implication is that on the whole clients do not see Red Door as solving their financial problems

This point is strongly confirmed in the table (42) asking about the Red Door’s responses to requests for help where the common response is ‘advice’ and the score for financial assistance is very low.

**Table 42: What was Red Door’s Response?**

	Frequency	Valid Percent
Advice	21	51.2
No help	4	9.8
Financial Assist	3	7.3
Training	1	2.4
N/A	12	29.3
Total	41	100.0

In the final two questions clients were asked to make suggestions for the improvement of the Red Door service and to indicate what they themselves might offer as a contribution to the success of the Red Door initiative.

**Table 43: What can You Suggest?**

	Frequency	Valid Percent
More professionalism	8	19.5
Direct finance	5	12.2
More follow-up	5	12.2
No suggestions	5	12.2
Network opportunities	3	7.3
More computers	3	7.3
Increase RD visibility	3	7.3
Need specialist advice	3	7.3
Need to provide market information	3	7.3

Need more advisers	2	4.9
Tender assistance	1	2.4
Total	41	100.0

The interest of this table (43) lies less in the distribution of the scores than in the range of suggestions made all of which carry some validity. The simplest is more computers in the offices – a case that relates back to the point that several clients are without internet connections and use the offices to gain access to vital contract and tender information – as well as e-mail correspondence. However if we aggregate the scores for ‘more professionalism’ and ‘more follow-up’ it is possible to see a deeper and wider need for support beyond the start-up phase of the business. This is amplified still further by the need for ‘more advisers’, ‘market information’ and ‘specialist advice’. Finally a point that should not be missed is that the Red Door needs to be ‘more visible’.

In the final table of client contributions the two positive answers make very much the same point – namely that clients see themselves as ready to contribute through continuing the word-of-mouth recommendation of the Red Door and through making their experience and skills available in the form of advice and shared skills. Only three people do not see themselves as making any contribution.

**Table 44: What can You Contribute?**

	Frequency	Valid Percent
Recommend RD to others	20	48.8
Advice, support and skills	18	43.9
No contribution	3	7.3
Total	41	100.0

## 5. Interpreting the Results

It is possible, but not easy, to build a coherent interpretation of the results given above in tabular form. The purpose here is to construct an account of the Red Door’s activity in the field as it has been understood and used by its clients. The study complements the first phase of the impact study completed in 2006 which examined the internal operations of the Red Door.

The sample is small and it is not uniform but it has enough consistency to make it possible to give qualified generalisations both about the characteristics and dynamics of the small business community which Red Door serves and about the interactions between the Red Door and its clients.

### *The Micro Business Focus*

The business field that forms the subject of the survey must be classified as micro-business. 32 of the firms employed less than 10 while only 4 employed more than 30. The 4 could properly be termed small business but it is safe to

say that the characteristic form of the majority was the one-person business offering only limited and occasional additional employment

The micro-business focus is consistent with the Red Door's informal policy agreement with SEDA that it (SEDA) should concentrate on the upper end of the market in the small and medium business field and Red Door on the micro.

Through the table results it is possible to gain some degree of insight into the forms of conduct and habits of mind of the micro-business owner. These characteristics are important considerations since they largely govern the relations between the Red Door and its clients.

### *Red Door Clients and Micro Business Experience*

**Table 45: Most Difficult and Easy Things Cross-Tabulation.**

**(Note this table is attached to the report as appendix 3)**

The cross tabulation places the list of the things that owners had found most difficult to do in the vertical frame and the things that were easiest along the horizontal and calculates the relation between the two. In reviewing the tabulation it should be remembered that the categories were all generated by the clients in answer to open-ended questions.

The key observation occurs in the top left square of the table which shows that the most difficult issue was securing *capital* and the easiest was the *capacity* of the client, meaning his or her skills, experience and enthusiasm.

These are, on our evidence, the two defining poles of the micro-business experience. Typically the aspirant business person has secondary education and has built up a body of work experience in a formal job which he/she then decides to carry into independent business activity. The problem is capital - both start-up and working. This proposition can be checked in the tables. 87% of the respondents had secondary or higher educational experience while 85% had been in a job before entering business. 68.3% listed capital (in its various forms - cash flow, equipment, premises) as the principal problem.

The space between the two defining poles offers rich ground for the use of qualitative material gathered in interviews. What becomes apparent through the individual cases is the care and deliberation which characterise the persons move out of the structured world of formal education and work into the open conditions of market-based operations. In case after case we found that the job the person had been doing (and to a lesser extent the education and training) had been understood as a preparation ground for the eventual move into business in the same field. Examples are numerous - a carpenter working with a building firm eventually forms his own business making solid wood furniture; a person employed as a cinema manager first borrows, and then buys, a camera to open a business in video production; a window cleaner at a hotel accumulates his own equipment to open a small cleaning service; a young man who has learned

cooking from his mother, initially borrows the equipment to begin a small catering company.

These examples selected at random underline the fact that it is the skills and experience learned in work that are the bedrock of the move into business. They also show that in most cases it is not a move into *any* business but a move of his or her capacity into the new environment of business. This is further illustrated in the quotation below:

“I am a qualified machine minder. [At the workplace] I saw lots of gaps for efficiency and time management, the boss took my suggestions but in the end I was stuck in the same position, I had added value, but hadn’t grown.” [02]

The move into business is shaped by the perception of opportunity. The literature on SMME draws a strong distinction between the ‘opportunity’ and ‘necessity’ factors (‘pull and push’) as the motive forces governing business entry. In the present survey it was quite clear from the numbers (95.1%) that the sample population had responded to some perceived opportunity rather than the necessity of ‘putting bread on the table’.

“Three years ago I realized that I no longer wanted to work for a boss. I was manageress at a retailer and had a run in with the boss. I stayed at home for a while thinking of what to do. We [her husband and her] spoke to people looking for opportunities and then someone suggested this: The big former recycler closed and we saw the gap” [05]

“I created my own niche for co-ordinated sportswear and sports equipment and sports facilities”. [04]

“I saw an opportunity I saw another Jewish man with a panel-beater shop, he had too much work and so I started [negotiating to buy his business]. He also was afraid of BEE.” [07]

However it should be noted that in at least three cases retrenchment had played an important part in the decision to move into business. This can be considered as a ‘necessity’ or a ‘push’ factor although, as table 16 shows, 95% of the sample answered ‘yes’ to the question on seeing a business opportunity.

“I worked at a canning factory as a creditor’s clerk. I was retrenched in 2001 and in 2002 I started my own business from home. Since I started in 1990 at the factory I wanted my own business, to help other people as well. I want to work with rather than for people” [03]

**Table 46: Always Wanting to Own a Business and Identifying the Opportunity**

		Identifying a business opportunity		
		Yes	No	Total
Wanting to own a business	Yes	32	1	33
	No	7	1	8
	Total	39	2	41

A cross tabulation of the desire to own a business and the perceived presence of a business opportunity shows quite clearly that the perception of opportunity coincides with, or is a construction of, the desire to own one's own business. In other words the sample group were actively looking for the opportunity to enter business. In some cases lying behind the search for an opportunity was the realisation that while working in a job they were 'making someone else rich' and that by going into business they could earn the money themselves.

"I had a [welding job] before, but my plan was always to do my own thing. I don't want to make someone else rich. I saw that there are a lot of welders, but I realized no-one has a passion like me and technique and standard like me." [09]

These general points on opportunity need to be read with the previous comments on the process of taking one's skills and experience into the business environment. The implications are that the opportunity needed to be in the field of expertise possessed by the person – in other words the opportunity range would necessarily be small. To put the point colloquially the person had to be looking for 'a gap' in the market for 'my line of work'. Similarly the opportunity was generally perceived in the immediately local environment rather than in the wider market patterns. A typical example was the security service developed in a small town by a person who had been a security guard himself but who saw that the national security companies were unable to service the town effectively because they had no local station and were operating from a distance. A successful laundromat service was developed in a small town around the special local needs of tourists and a nearby army base. A backpacker lodge likewise served tourist needs in a different small town

In general terms the point can be made that the opportunity had to be 'worked up' by the client – rather than simply seen and taken. This carries rather different implications to the general notion of opportunity given in the literature where the image is of a wide opportunity range in which the business person can more or less pick and choose what they wish to do.

### *Business Identity*

This distinction between wide and narrow perceptions of opportunity brings forward the important (if complex) issue of business identity. Three members only of the sample could be considered to have the identity of the 'businessman' meaning that though they were active in a particular field, they could just as easily be in a different field because their primary activity was *business itself*. The 'businessman' identity generally has a wider sense of opportunity and is ready to take quick decisions to enter a new field when the opportunity is seen. By contrast

the business identity of the majority of the sample was closer to that of the independent artisanal craftperson working more or less alone in a particular bounded field. Typical examples of this identity were the hair and beauty salons, craft workshops, the carpenters and cabinet makers (there were two), a brickmaker, a video producer, a window fitter and a burglar bar maker among many others. Even those operating in the bigger fields like construction, services and manufacturing were occupying small gaps in the bigger markets. Typical of this form of identity is a lack of interest in, or capacity for, diversification into other related fields of activity. Instead the business practice is founded on an enthusiasm or even a passion for the kind of work the person does. From the same perspective business growth is seen as taking a small step forward along the same line of business. A characteristic example is the case of a small car repair business which is functioning successfully and sees growth as installing a hydraulic lift and perhaps expanding the workshop. A different example is the young woman who was passionate about caring for animals but who failed to gain admission to veterinary college and so decided to open a small business as a dog grooming parlour.

“I just wanted to work with dogs. I wasn’t successful in my veterinary nurse application. I wasn’t interested in business at all, but setting up a grooming parlour was a way of working with dogs. I did it because of my passion for animals, in particular dogs. [08]

By contrast the four individuals with a market focused ‘business identity’ see growth as diversification into allied fields of activity. One example is the owner of a large township restaurant whose business goes quiet in the winter and who is busy constructing a conference centre and a guest house to broaden his market by attracting both public sector conferences and tourists. A different example is a man who began business with a taxi service and then branched out into construction and later heavy truck transport.

Key characteristics of the artisanal identity are the desire for independence (‘be my own boss’), a sense of confidence in their own capacity to survive in business (80% thought their business was successful), a readiness to invest their labour (rather than capital) as the core of the business and a strong sense of self-reliance. Independence and self-reliance are important sources of strength but they are at the same time also markers of isolation. It is noteworthy from the results tables that when faced with problems the owners tended to rely on themselves more than on any outside source of help. There is an almost even balance between those who did not look for help anywhere or who worked on the problem by themselves, and those who went for help to the Red Door. (14 went to the Red Door while 15 dealt with things on their own).

### *The Position of Small Business and the Entrepreneurial Culture*

It is widely accepted in the literature that SMMEs operate at the boundary between the formal and informal economies. In the study sample this is more than usually evident. The operations surveyed are small and they are, in general, located at the very far fringe of the formal economy. The characteristic owners have been in the formal economy while in employment but they have just emerged as independent

operations. They do have links with the formal economy, but they are fragile and vulnerable. Given these exposed positions the responses to the question of the 'biggest step forward in building the business' are of particular interest – more especially the top score given to the 'Decision to start'. We read the response as an indicator of the fact that the person is aware of crossing a boundary – emerging from one set of circumstances into another and thus feels the need to mark the moment as one of 'decision' If this is an accurate reading of the result has wider bearings on the issue of business and perhaps more widely, social identity.

One young woman was using her original enterprise, which was selling vetkoek and sweets in the nearby school's yard, to finance her fledgling computer training and printing business in her shack. The decision to start her own business meant that "being extrovert, I had to stop going out and I also like clothes, but I had to stop all of this and save. I had to also stop being the breadwinner for my thirty year old brothers". She had previously worked as a 'tea-girl' but "it made me very tired, there was too little money to take care of my daughter so I started selling ice-cream". [01]

The biggest step forward in developing the business was "to build self-trust and confidence and know that I can charge and make a living from my art and talent" "[Otherwise] it was so easy because honestly welding was there for me to do and the same with business." [09]

"I worked for other woodcutting people, only last year, and I thought that I wanted my own business. I saw an opportunity when I realized that I could do the job or run a business better than the other people. The most difficult thing was buying the horses and chainsaws... We needed special harnesses for the horses because they drag the wood. Everything else was easy, I am good at this business." [11]

We have already made the point that a in the move into business a new identity is being taken on. We have also noted that the new business people mark the move in important ways ('the decision to start') and in addition we have noted that they tend to find themselves isolated in their new situation. (58.5% of the sample had no affiliation to any business association). In their move they have stepped a small distance outside the social positions and roles that they occupied while still in formal employment. How small the move is, is shown by the way they carry their skills and experience into the new environment. All of these observations point in one direction and that is to the fact that there is little social and cultural support for the new entrepreneur. In fact, in several instances we noted that new entrepreneurs faced competition and exclusion where they might have expected support. A Coloured woman owning a plumbing business in a predominantly white area of a small town was subject to various forms of harassment and exclusion both by male white competitors and the municipality. In another instance a woman employing a number of other women in a sewing project found that her employees would learn the skills and then set up their own businesses in competition in the same field. A third woman running a construction company

complained that the local business forum shared out the available contracts among themselves and excluded ‘outsiders’.

We noted in the historical and social literature survey in the early part of this report how the black entrepreneurial culture of the 19<sup>th</sup> century had been systematically smashed and never allowed to rebuild itself, and even the more protected Coloured culture had been kept at the margins of economic life. What we found in the survey was that we were looking at the long terms consequences of the history. What it means to have no available entrepreneurial culture is that there are no clearly established roles and practices (‘discourses’ is the current academic term) into which new business people can move and which they can use to stabilise and secure their new identity. Instead the new entrepreneur has to battle against the powerfully inscribed roles of submission to authority, whether of parents, schools, and officials, or of the public culture of black or coloured life. One case in the study illuminates the general point. A young and highly successful entrepreneur explained that his marriage has broken up as a result of his intense focus on his business and the account he gave of the break-up was that his mother-in-law had objected continually to her daughter being married to a man ‘without a job’. Eventually the daughter herself succumbed to the pressure exerted by her mother for her to fit in with the established social roles and abandoned the marriage.

The case illuminates what we see as the principal cause producing the independent and self-reliant, but isolated and anxious, small enterprises which the survey shows. The entrepreneurs have to make their way more or less on their own.

A useful contrast could be drawn with the white entrepreneurial culture where the roles and practices are known to nearly everyone from a very early age, but a different, and perhaps more powerful, comparison could be found in the culture of the criminal drug economy - especially on the Cape Flats. There can be no doubting the entrepreneurial drive of the drug economy but, for the present comparison, what is more important is the established hierarchy of roles and positions, and the absolute clarity with which the practices are specified and enforced. Within that closed culture it is abundantly clear to everyone what their position in the hierarchy is, what they are expected to do and what the rewards and punishments are likely to be for their performance. The experience is collectively shared and rapidly communicated thus keeping the operations thoroughly primed and active.

We are by no means recommending the drug economy as a model for legitimate entrepreneurial activity – the world of legitimate business cannot be organised under the control of ‘warlords’ – although on occasion one might be tempted to think so. The point is made simply to indicate the relative absence of conditions of support and direction in the world of the black and coloured SMMEs.

### *The Red Door and the Entrepreneurial Culture*

From this perspective we can identify the basic social position of the Red Door. The Red Door is a more-or-less symbolic stand-in for the lost black entrepreneurial culture. It stands at the point between the formal and informal economies which would have been occupied by the black entrepreneurial culture. It is an

intervention which sets out to establish the roles and rules of successful black entrepreneurship. Appropriately its chief clients are start-up businesses and significantly the majority of clients reach the Red Door along an informal word-of-mouth route. Another mark of its informal (or cultural) character is that once the client relationship is established most clients return often to the office (80.5%).

“Initially I had to leave school to put bread on the table. My father died when I was nine, I needed my father so much”...”The Mayor [through the intervention of the Red Door] opened our business and told everyone even the newspaper, that this is the first time that Bruinmense have opened their own butchery.” “I go for help to the Red Door” “The only thing I can say is that they are a great help.”[15]

When we examine what the Red Door does in its business and what it offers to clients we see its more formal side. Three Red Door practices dominate the client responses – start-up advice, drawing up business documents (including business plans) and the registration of businesses. All three of these activities can be understood as forms of induction into the practice of business. The advice is the least formal since it involves personal one-to-one conversations about the possibilities of business while the registration is the most formal since it brings the full legal framework of business into view. It is a safe assumption that between the advice and the documents (the plan) the client makes his or her ‘decision to start’ which is then formalised in the act registration.

The historical account of black entrepreneurial culture also makes a crucial point about the loss of black capacity to accumulate capital and, as we have seen from the survey results, the lack of access to capital is a critical condition for the new black entrepreneur. In this situation the Red Door plays a similar if more ambiguous role to support the start-up business. Clients approach the Red Door as a possible source of capital in the same way that they come for advice and assistance with documentation. The office however has until very recently not been a direct source of capital. Instead it has on occasion been able to direct clients to banks and other institutions where some have been able to access finance. Plans to introduce the Red Finance scheme will give the offices more capacity to provide direct loans to clients up to certain levels and with clear conditions attached – a move which will strengthen the position and extend the range of the service in the entrepreneurial community.

From these two perspectives on the life of the Red Door we can see that it works as a transition point between the formal and the informal economies and cultures. It makes possible the entry into the world of business as it marks out a path for the business to follow (the business plan) and gives the business its formal licence to operate. In addition, on occasion it has been able to assist in the negotiation of loan capital.

“[Red Door] gave us advice and made all the paper work right and took us to the xxx Bank, but the bank wouldn’t help.” “They [Red Door] should have their own bank account to give loans.” [11]

### *The Red Door's Position and the New Policy Environment*

The interpretation of the Red Door thus far has brought into focus two perspectives on its work. The first is immediate and short term covering the kinds of engagement it has with its clients as it works to fulfil its mandate of creating black entrepreneurs. The second is more distant and longer term where the Red Door is seen as an institution standing in the place of an entrepreneurial culture. Both perspectives are vital if the work and developmental direction of the Red Door is to be properly fulfilled. The Red Door has to create individual entrepreneurs as it does in its present practice, but at the same time it has to actively build the broader entrepreneurial culture. The Red Door is not alone in this role since it is part of a wider institutional development which encompasses SEDA and the various funding agencies set up by the Dti. Focused as it is on start-up support the Red Door needs to develop a strategy for graduating its successful clients to the next stage and directing them to the other elements of the developing entrepreneurial culture. In fulfilling this second role the new developments in the policy environment referred to in the literature are critical. We can refer specifically here to the development of preferential procurement policies in relation to tenders and contracts as well as BEE more generally.

“Getting the first tender was a big step forward. There wasn't BEE then [1994]. I was the first to learn to 'do business'. This is very good [essential] to understand business and how to operate. [14]

When first coming to Red Door “I looked for help with tenders and to learn about procuring tenders and for actual tender adverts. They helped us a lot with CC's, tenders and the business processes. They give good advice. I always come to see what's new. [Through Red Door business networking] I am getting to know more people. We have learned to work together, but one guy tendered secretly, won the tender and now it is difficult”. [14]

In the survey results the number of tenders won was disappointingly small (only 2) although to be expected since the businesses are generally too small to be able to bid for large scale tenders. The number of contracts (19) was more acceptable though we could not be certain how substantial the particular contracts were. An important aspect of the success in securing both tenders and contracts is that they enable firms to grow and to establish their track records of work achievement. Strong track records provide the bones and muscles of an entrepreneurial culture since they lay down patterns of performance which can be emulated by others. On the evidence that we saw it seemed that only the three more substantial firms (referred to as business focused) would be likely to have such track records. Nevertheless they were setting patterns for others to follow. It seemed to us that if the offices could be more active on the tender/contract front they would be moving toward the achievement of both their short and long term goals.

On the question of BEE we heard little directly from the interviewees or the offices. As suggested in the conclusion to the literature survey it seems that the impact of BEE is bearing only limited fruit at the level of the micro business. However there was evidence from at least three interviewees that BEE policies had offered them specialised opportunities. A woman with a construction company said that she had won several contracts because she was a woman. A young coloured man partnered with a white friend (from schooldays) and together they

were able to secure substantial in the provision of sports equipment for schools. IN general though it appears that the potential of the BEE policies is yet to be realised as the following anecdote shows.

We encountered by chance a young man who announced, in answer to a question, that he was studying in a learnership for entrepreneurs at a local college. He would graduate at the end of the year and would receive R16,000 as start-up capital and he would then follow his chosen career as a wine trader. He proudly told us that he knew he was valuable because the local wine farmers would be looking for BEE partners. Later, after the conversation, we learned from the office manager that the young man had been recruited through the Red Door by a small business known as 'The BEE Boys'. They had secured a contract with the BankSETA to recruit an unspecified number of people for learnerships and the young man was one. On the same day that we encountered the young man the office manager of the same Red Door had been to a meeting with a group of wine farmers where they were being addressed by the DTI and the Department of Labour on the implications for them of BEE.

The point to be made through this anecdote is that it demonstrates the Red Door playing both its short and long term roles. It is developing an emergent entrepreneur at the same time that it is building a network of entrepreneurial activity. It was able to do so because it was visible to both the farmers on the one hand and the BEE Boys with their aspirant entrepreneur on the other. There would seem to be considerable scope for work of this kind within the new policy environment.

### *Successful Small Entrepreneurs*

In the light of the interpretation above, the three most successful small scale entrepreneurs of the forty-one interviewed, are summarised under this heading. Here we have evidence of three entrepreneurs who employ thirty or more people and who are ready to be referred to the next level of business advice. They have overcome their initial difficulties in starting up a business and are seemingly fluent in small business practice. Notably they have also had to learn how to strike a balance between their personal relationships and their demanding businesses and in so doing have achieved some semblance of emotional well being and financial success.

### **Interview [36] construction**

This woman entered the construction sector for the first time in 1966. After moving to Cape Town from Johannesburg she had joined a group of women building low-cost houses. She wanted to work and to earn an income. Her husband however objected that she was giving more attention to the business than to the family. Eventually she yielded to the pressure and left the construction business taking a job as a manager in the African Bank.

The marriage remained difficult so she left her husband and moved to Knysna when the African Bank opened a new branch. The bank job lasted a year but ceased when the bank withdrew from the town owing to a lack of business. Mrs.

XX opted to stay in Knysna and to return to the construction sector. The transition was not easy because of prejudices against her as an outsider, a woman and a black person entering construction but she remained confident that she would succeed.

Work from the private sector enabled her to get beyond relying solely on BEE-based government tenders or sub-contracts and she was able to build private commercial and domestic buildings. Her biggest step forward came however when she won a tender from the municipality to construct a national road. That together with her building work for private clients reaffirmed that she was 'here to stay'.

Mrs XX employs more than 30 full time workers in the business. Her income has increased by 20% over the last year and she regularly reinvests in the business. Her main problem is accessing finance to manage cash flow difficulties. She complained that her bank, where she is a valued customer, was unable to loan her R150,000 despite a job guarantee showing that she would be able to repay in full.

#### **Interview [38] labour broker.**

While off his normal full-time job due to a back injury Mr XY helped his wife in her general maintenance, cleaning and catering business. She had left her work after 25 years and established the business with the money from her provident fund. While out of work Mr XY took note of the people cleaning the streets of his town and saw a business opportunity. He investigated the possibility of building a work team that would do the cleaning work for the municipality and other big clients. In addition he noted that the firm holding the contract for the municipal cleaning was from outside the area and he decided to seize the opportunity.

Capital was not a problem since his wife already had an established business and that together with his own savings allowed Mr XY to leave his employment and join his wife in the business. The business remains in his wife's name but he works hard in it and looks for new business to ensure growth.

#### **Interview [04] sports manufacturer, distributor and co-ordinator.**

An example of an all round success story is that of a young man [30] who has a business that manufactures and distributes sport and corporate wear as well as sources sports equipment. His business also involves the construction and maintenance of sports facilities. He operates from three rented sites and employs some 30 people. He has taken advantage of all his networks and associations to build a comprehensive sports service. He was an A team player in several sports at school, and at university he was a provincial sportsman. He has always been heavily involved in several sporting codes and clubs, and was the first coloured student at a model C school. He has a white business partner who owns 30% of the company. He believes in investing in people and wants to create opportunities for young people. It is important to him that he becomes a role model for those younger than him. He created his own opportunity for business once he had graduated with a university degree in commerce and industrial psychology. "I created my own niche for co-ordinated sportswear and sports equipment and sports

facilities. I started with R5 000 and put back, put back, put back, take[sic] nothing until there is a cash flow. That is all I do with the profit, give back to the business.”

“I have won a lot through Trade World on their tender email list, I pay them to be part of this they put out tenders for Government: municipalities and others.”

He believes that when encountering setbacks “You need your family’s support”. He comes from a supportive family, but encountered problems with his in-laws as they did not understand why he wanted to start a business rather than become a professional. This pressure from them eventually developed into his only big setback, one which he could not overcome or ‘fix’ as he and his wife got divorced.

He describes himself as realistic and is nervous about other people’s opinions about him being a big success. On the other hand “I know where my business can still go” “I am very optimistic I can always see the good side”.

He believes that the Red Door should provide more specialist advice and is also willing to offer them this. He describes himself as an ambassador for the Red Door.

## 6. The Research Questions Answered

The Memorandum of Modification lists the six research questions which directed the study. Given the survey results and the subsequent interpretation we are now in a position to provide answers to the questions.

1. **What are the critical differences between a ‘natural’ entrepreneur and one who is ‘made’?**
2. **What is the nature of the psychological path along which a person travels to become an entrepreneur?**
3. **Are there critical points of experience in a typical career path?**
4. **Where are the strongest points of intersection between the experience of developing entrepreneurs and the Red Door services?**
5. **Is there a discernible pattern of successful interaction between Red Doors entrepreneurs operating in different regional, business and cultural contexts?**
6. **Where do the entrepreneurs feel that the Red Door does not meet their needs and so wastes its resources on irrelevant or unnecessary services?**

**Question 1.** *What are the critical differences between a ‘natural’ entrepreneur and one who is ‘made’?*

No one is born an entrepreneur. There is no entrepreneurial gene. All entrepreneurs are ‘made’ in some way or another, though it is quite clear that some are more successful than others. There are extensive discussions in the literature of enterprise around the question of ‘the entrepreneurial personality’ – whether such a thing exists and if so what its qualities and attributes are. The debate around this issue will never be completely resolved but in our view the ‘personality theory’ of entrepreneurship is not convincing. We feel that the

evidence in the survey shows that entrepreneurs ‘make’ themselves. They make ‘the decision to start’ and they move from one identity to another – from employment to business in our sample.

In terms of our interpretation of the results the differences between a person who appears to be a ‘natural’ entrepreneur and one who appears to have been ‘made’ – what might be called differences of aptitude, skill and flair – lie in the quality of the entrepreneurial culture which the individual inhabits. Where that culture is rich and well established, as for example in the Jewish or Indian commercial culture, it is easy to identify apparently ‘natural’ individuals, but where it is thin and depleted (as in the context of the study) it requires painstaking effort for an entrepreneur to ‘make’ him or herself. A whole new way of life has to be learned and it takes time and much trial and error.

The Red Door does assist people in the damaged black and coloured entrepreneurial culture to make themselves into entrepreneurs but only when the culture has been rebuilt will it be easy for people to flourish as entrepreneurs and take on the aspect of ‘natural’ entrepreneurs.

**Question 2**            *What is the nature of the psychological path along which a person travels to become an entrepreneur?*

Any answer to this question must be qualified by the limitations of the sample taken in the study. However on the evidence it is possible to give at least a sketch of the psychological path which characterises the micro business entrepreneur.

The starting point is that the desire to be an entrepreneur is present from early on in the person’s life. One interviewee described how he had begun selling ice creams in the street in Standard Three. However to realise the desire takes considerable time. Twice as many of the sample were aged over 35 and they had in many cases only recently entered business.. The path taken is through secondary schooling (occasionally including extra education or training) and is followed by employment. In general terms this period can be considered as skill and confidence building. The emergence out of employment and into business is slow and careful and requires support, but the move once made is felt to be permanent.

**Question 3**            *Are there critical points of experience in a typical career path?*

The ‘decision to start’ emerges from the study as the most critical point of entrepreneurial experience because, we have reasoned, it marks the change from one kind of life into another. A second important experiential moment comes when the entrepreneur focuses his or her vision and skills in the business world – generally through the development of a business plan. A third is the formal registration of the business. A fourth point, though not experienced by all, is the securing of loan finance to enable the business to start operating or take its first big step forward. All four of these moments are part of the realisation of the desire to be in business. There are other less satisfying critical moments which

are more dispersed: the main example is the sense of ‘not getting anywhere’ – the business is surviving, but only just.

**Question 4**      *Where are the strongest points of intersection between the experience of developing entrepreneurs and the Red Door services?*

The Survey Results give a very clear answer to this question. The strongest points of intersection between Red Door and its successful clients are in the start-up phase. There are three elements to the intersection. The first is the advice given to the client by office staff. It is advice about the possibilities of the proposed business and goes on into the preparation of business documents and the business plan. The second strong contact is through the company registration process where the business is formalised and legalised. The third (though not always successful) is the effort to negotiate finance for the business. In the financial field Red Finance (though not yet operational) will be an important step forward in strengthening the points of intersection by linking the provision of loan finance with close mentoring over a substantial period of time.

By way of contrast the other points of intersection such as training and networking, both of which could be considered as developmental rather than start-up are not nearly as strong.

**Question 5**      *Is there a discernible pattern of successful interaction between Red Doors and entrepreneurs operating in different regional, business and cultural contexts?*

The short answer to this question is ‘yes’ – there is evidence of a discernible pattern of successful interaction in different contexts..

The survey team visited all 11 offices of the Red Door and tested the interactions with clients drawn from a wide variety of contexts and found a clear pattern of interaction across the different contexts. The pattern has been described several times in the paper and need only be summarised here as the ‘start-up support pattern’.

**Question 6**      *Where do the entrepreneurs feel that the Red Door does not meet their needs and so wastes its resources on irrelevant or unnecessary services?*

The survey failed to put this question directly to any of the clients and it cannot therefore be given a strong answer but from the pattern of valuation which emerged in the enquiry into the relation between the businesses and the Red Door it can be said that the training programme as it is presently constituted is not offering what clients want. It may be that it needs to be re-designed to offer more specialised and focused training than at present as was requested by several clients.

## 7. Findings of the Study

Consequent on the quantitative results of the survey and the qualitative discussion which followed, the study reaches four principal findings.

5. The Red Door's prime point of positive contact with its clients is at the business start-up phase. The advice given, the assistance provided with business documentation (including business planning) and the formal registration of the new business proves to have been highly valued by clients in a wide range of business and social contexts. This finding confirms the Red Door decision focus on the micro-business sector and demonstrates its capacity to establish new businesses and to fulfil its primary short term objective.
6. The Red Door has been less successful in building its capacity to provide longer term support to fledgling businesses. In part this can be traced to client attitudes (self-reliance in particular) but in part it indicates that the follow-up support, financial assistance, training and networking are not adequately intersecting with client needs. It thus falls some way short of fulfilling its longer term objectives of sustaining small businesses and developing an entrepreneurial culture in previously disadvantaged contexts. The introduction of the Red Finance Programme may go some way to improving longer term capacity.
7. Our argument from the evidence has been that entrepreneurs are all 'made' through the formation of a 'business identity'. In the process the Red Door already provides formalised elements of support that clients find valuable but our assessment is that these could be extended to include personalised business counselling.
8. The Red Door is insufficiently active in the public promotion of its goals, services and capacities. Its public profile needs to be clearer and stronger in order to attract the attention of appropriate potential clients who are considering entry into business activity.

## 8. Recommendations

Four recommendations flow from these findings.

5. The Red Door should maintain and expand its business start-up services.
6. The Red Finance Programme should be introduced across the regions to provide the contractual foundation between the Red Door and clients for longer term support and business development. Care should be taken not to cut across current managerial responsibilities and the mentoring relationship with clients should be built upon proven expertise and specialisations.
7. The Red Door should devise more robust strategies for engaging with the conditions created by the new policy environment. Particular attention should be given to preferential procurement possibilities and to the

emerging black middle class economic culture which is being fostered by BEE policies.

8. The relationship between Red Door and SEDA should be strengthened and expanded with a view to building an entrepreneurial culture and promoting the public awareness of SMME services.

## 9. Conclusion

The research team would like to thank all staff and clients of the Red Door for their ready co-operation and assistance in carrying out this study. The team hopes that the report will prove fruitful in the development of this vital part of economic and cultural development.

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## 10. Appendices

### Appendix 1

#### *Questionnaire for Red Door Phase Two*

**Before you begin make sure that you:**

- 1. Decide who will be the lead interviewer if there are two or more interviewers;**
- 2. Inform the interviewee of the nature of the interview**
- 3. Inform the interviewee of number of questions on the questionnaire**
- 4. Inform the interviewee of length of time you have for the process;**
- 5. Hand the interviewee the consent form to sign;**
- 6. Hand a copy of the research project description to the interviewee;**
- 7. Remember to remind the interviewee throughout the interview of the confidentiality of the interview and the right to refrain from answering a question.**

#### **Section A: Demographic Information**

<b>Let us begin with some basic information that we need in order to get to know you.</b>				
1. What is your age?				
2. Where do you live? [Please give name of nearest town]				
3. Highest educational qualification				
4. Gender	Male		Female	
5. Race	Black	White	Coloured	Indian / Asian

#### **Section B: Location of your business**

<b>We would now like to talk about the location of your business.</b>	
6. Where do you carry out your business?	
7. What type of business is it?	
8. Do you work full-time in the business?	
9. When did your business start operating?	

**Section C: Present business situation – we would like to understand how your business operates at the moment.**

<b>10. Do you have any of the following physical resources for your business?</b>	<b>Yes</b>	<b>No</b>
10.1 Land line	1	0
10.2 Cell phone		
10.3 Fax		
10.4 Electricity	1	0
10.5 Computer		
10.6 Own Internet connection	1	0
10.7 Transport/Vehicle	1	0
10.8 Is your stock secure	1	0
10.9 Other [Specify _____]	1	0

<b>11. What type of energy sources do you use for your business?</b>	<b>Yes</b>	<b>No</b>	<b>If Yes: How much does it cost per month? [Rand only]</b>
12.1 Electricity	1	0	
12.2 Petrol	1	0	
12.3 Gas	1	0	
12.4 Paraffin	1	0	
12.5 Coal / Charcoal	1	0	
12.6 Solar Home system	1	0	
12.7 Diesel	1	0	
12.8 Wood	1	0	
12.9 Other [Specify _____]	1	0	

<b>13. In general, how satisfied are you with the type of energy sources that you use?</b>					
5	4	3	2	1	0
Very satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Very Dissatisfied	Do not know

<b>14. If Dissatisfied, What energy sources would you prefer to use for your business?</b>	
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<b>15. How many people do you employ in your business?</b>					
Less than 5	6 - 10	11 - 15	16 - 20	20 - 30	More than 30

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<b>16. What type of employment do you provide? Part-time, Casual, Full-time, Only when you have a big project or contract?</b>	
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	Yes	No
<b>17. Are you registered as a business?</b>	1	0
<b>18. Is your business a member of any other institution or body? Specify _____</b>	1	0

**Section D: History of your business**

We would now like to review the development of the business from its start to the present.

<b>Starting the business</b>
<b>19. Have you always wanted to own your own business? Did you have a job before?</b>
<b>20. Did you see an opportunity for business or did you have to start the business to put bread on the table?</b>
<b>21. What were the most difficult things you had to overcome in getting the business going?</b>

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**22. Were some things fairly easy to do at the start?**

**23. Have you had loans from the bank or any other institution or people?**

**24. Have you been able to repay them?**

**Exploiting or using opportunities to grow**

**25. What was the biggest step forward for you in developing the business?**

**26. Have you won any tenders or contracts? Please explain.**

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**27. Has your income grown in the last year?**

**28. Do you make enough money to invest in growing your business?**

**29. Do you think your business is successful? Please explain.**

**Major setbacks over this period**

**30. What major setbacks did you encounter?**

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**31. Where did you go for help with the problems?**

**32. Who or what helped the most?**

**Section E: Your business and Red Door**

**We would now like to trace your connections with the Red Door**

**33. When and how did you first get to know about the Red Door?**

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<b>34. What were you looking for when you made your first visit?</b>
<b>35. What did they offer you – was it of any help?</b>
<b>36. How often have you been back (or have they called on you)?</b>
<b>37. Have you made contact with a network of business people through the Red Door?</b>
<b>38. Were they able to help you?</b>
<b>39. Did the Red Door provide you with the means of finding finance? i.e. Put you in contact with the bank or any financial institution, etc?</b>
<b>40. Has the Red Door provided you with help to win tenders or contracts?</b>
<b>41. What was the most important single thing you got from the Red Door?</b>

**Section F: Conclusion and recommendations**

<b>42. What is your biggest problem at the moment?</b>
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**43. Can the Red Door help you solve it?**

**44. Have you told them about it?**

**45. What has been their response?**

**46. Can you please provide us with any suggestions to improve the services of RED Door?**

**47. What particularly can you contribute to Red Door's initiative?**

**Thank you for your participation**

## Appendix 2

### Results in Frequencies

<b>Age</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	35 and below	14	34.1	34.1	34.1
	36 and above	27	65.9	65.9	100.0
	Total	41	100.0	100.0	

<b>Highest Education</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	4	9.8	10.0	10.0
	Secondary	27	65.9	67.5	77.5
	Tertiary	9	22.0	22.5	100.0
	Total	40	97.6	100.0	
Missing	System	1	2.4		
Total		41	100.0		

<b>Gender</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	23	56.1	56.1	56.1
	Female	18	43.9	43.9	100.0
	Total	41	100.0	100.0	

<b>Race</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Black	13	31.7	31.7	31.7
	White	2	4.9	4.9	36.6
	Coloured	24	58.5	58.5	95.1
	Indian/Asian	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

<b>Premises</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Premises	19	46.3	46.3	46.3
	Home	22	53.7	53.7	100.0
	Total	41	100.0	100.0	

<b>Business type</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agriculture	1	2.4	2.4	2.4
	Arts and crafts	2	4.9	4.9	7.3
	Automotive	2	4.9	4.9	12.2
	Clothing and textiles	3	7.3	7.3	19.5
	Construction	10	24.4	24.4	43.9
	Entertainment	1	2.4	2.4	46.3
	ICTs	2	4.9	4.9	51.2
	Manufacturing	6	14.6	14.6	65.9
	Retail	2	4.9	4.9	70.7
	Service	9	22.0	22.0	92.7
	Tourism	1	2.4	2.4	95.1
	Transport	1	2.4	2.4	97.6
	Waste recycling	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

<b>Work time</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Full-time	35	85.4	85.4	85.4
	Part-time	6	14.6	14.6	100.0
	Total	41	100.0	100.0	

<b>Business operation</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 yr	9	22.0	22.0	22.0
	Between 1yr-3yrs	19	46.3	46.3	68.3
	More than 3yrs	13	31.7	31.7	100.0
	Total	41	100.0	100.0	

<b>Land line</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	14	34.1	34.1	34.1
	Yes	27	65.9	65.9	100.0
	Total	41	100.0	100.0	

<b>Cell</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	100.0	100.0	100.0

<b>Fax</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	18	43.9	43.9	43.9
	Yes	23	56.1	56.1	100.0
	Total	41	100.0	100.0	

<b>Electricity</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	3	7.3	7.3	7.3
	Yes	38	92.7	92.7	100.0
	Total	41	100.0	100.0	

<b>Computer</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	14	34.1	34.1	34.1
	Yes	27	65.9	65.9	100.0
	Total	41	100.0	100.0	

<b>Internet</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	28	68.3	68.3	68.3
	Yes	13	31.7	31.7	100.0
	Total	41	100.0	100.0	

<b>Transport</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	12	29.3	29.3	29.3
	Yes	29	70.7	70.7	100.0
	Total	41	100.0	100.0	

Stock security					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	8	19.5	19.5	19.5
	Yes	33	80.5	80.5	100.0
	Total	41	100.0	100.0	

Electricity costs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	6	14.6	15.4	15.4
	70	1	2.4	2.6	17.9
	100	1	2.4	2.6	20.5
	150	3	7.3	7.7	28.2
	200	3	7.3	7.7	35.9
	250	1	2.4	2.6	38.5
	300	2	4.9	5.1	43.6
	320	1	2.4	2.6	46.2
	350	2	4.9	5.1	51.3
	400	2	4.9	5.1	56.4
	450	1	2.4	2.6	59.0
	500	2	4.9	5.1	64.1
	600	1	2.4	2.6	66.7
	700	2	4.9	5.1	71.8
	1000	3	7.3	7.7	79.5
	1200	1	2.4	2.6	82.1
	2000	3	7.3	7.7	89.7
	2420	1	2.4	2.6	92.3
	2800	1	2.4	2.6	94.9
	3000	1	2.4	2.6	97.4
5000	1	2.4	2.6	100.0	
	Total	39	95.1	100.0	
Missing	System	2	4.9		
Total		41	100.0		

<b>Petrol costs</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	9	22.0	22.0	22.0
	200	1	2.4	2.4	24.4
	300	1	2.4	2.4	26.8
	400	1	2.4	2.4	29.3
	500	2	4.9	4.9	34.1
	600	1	2.4	2.4	36.6
	700	1	2.4	2.4	39.0
	800	3	7.3	7.3	46.3
	1000	4	9.8	9.8	56.1
	1500	1	2.4	2.4	58.5
	1700	1	2.4	2.4	61.0
	2000	3	7.3	7.3	68.3
	2600	1	2.4	2.4	70.7
	3000	2	4.9	4.9	75.6
	4000	2	4.9	4.9	80.5
	4200	1	2.4	2.4	82.9
	5000	3	7.3	7.3	90.2
	8000	1	2.4	2.4	92.7
	11000	1	2.4	2.4	95.1
	14000	1	2.4	2.4	97.6
15000	1	2.4	2.4	100.0	
Total		41	100.0	100.0	

<b>Gas Costs</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	37	90.2	92.5	92.5
	80	1	2.4	2.5	95.0
	100	1	2.4	2.5	97.5
	600	1	2.4	2.5	100.0
	Total	40	97.6	100.0	
Missing	System	1	2.4		
Total		41	100.0		

<b>Paraffin Costs</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	39	95.1	97.5	97.5
	8000	1	2.4	2.5	100.0
	Total	40	97.6	100.0	
Missing	System	1	2.4		
Total		41	100.0		

<b>Coal Costs</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	40	97.6	97.6	97.6
	17000	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

Solar Costs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	40	97.6	97.6	97.6
	13600	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

Diesel Costs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	33	80.5	80.5	80.5
	50	1	2.4	2.4	82.9
	150	1	2.4	2.4	85.4
	500	1	2.4	2.4	87.8
	2000	1	2.4	2.4	90.2
	4200	1	2.4	2.4	92.7
	5000	1	2.4	2.4	95.1
	6000	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

Wood Costs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	40	97.6	97.6	97.6
	3000	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

<b>Energy satisfaction</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very dissatisfied	3	7.3	7.3	7.3
	Dissatisfied	11	26.8	26.8	34.1
	Neither	2	4.9	4.9	39.0
	Satisfied	18	43.9	43.9	82.9
	Very satisfied	6	14.6	14.6	97.6
	N/A	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

<b>Why dissatisfied</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Petrol/Diesel/Elec too expensive	7	17.1	17.1	17.1
	No back up generator/energy source	7	17.1	17.1	34.1
	Energy supply too weak	3	7.3	7.3	41.5
	N/A	24	58.5	58.5	100.0
	Total	41	100.0	100.0	

<b>No of people employed</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5 or less	25	61.0	61.0	61.0
	6-10	7	17.1	17.1	78.0
	11-15	2	4.9	4.9	82.9
	16-20	1	2.4	2.4	85.4
	20-30	2	4.9	4.9	90.2
	More than 30	4	9.8	9.8	100.0
	Total	41	100.0	100.0	

<b>Type of employment</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Full time	16	39.0	39.0	39.0
	Part time	5	12.2	12.2	51.2
	Casual	1	2.4	2.4	53.7
	Part time and Full time	7	17.1	17.1	70.7
	All-combination	9	22.0	22.0	92.7
	N/A	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

<b>Business registered</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	4	9.8	9.8	9.8
	Yes	37	90.2	90.2	100.0
	Total	41	100.0	100.0	

<b>Business membership</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government institution	8	19.5	19.5	19.5
	Local Businesses institution	9	22.0	22.0	41.5
	None	24	58.5	58.5	100.0
	Total	41	100.0	100.0	

<b>Own Business</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	80.5	80.5	80.5
	No	8	19.5	19.5	100.0
	Total	41	100.0	100.0	

<b>Had a job</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	35	85.4	85.4	85.4
	No	6	14.6	14.6	100.0
	Total	41	100.0	100.0	

<b>Business opportunity</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	39	95.1	95.1	95.1
	No	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

<b>Had to start a business</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	15	36.6	36.6	36.6
	No	26	63.4	63.4	100.0
	Total	41	100.0	100.0	

<b>Most difficult things</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Capital	18	43.9	43.9	43.9
	Cash flow	3	7.3	7.3	51.2
	Competition	1	2.4	2.4	53.7
	Premises	2	4.9	4.9	58.5
	Pricing	1	2.4	2.4	61.0
	Stock costs	1	2.4	2.4	63.4
	Discrimination	2	4.9	4.9	68.3
	Equipment	5	12.2	12.2	80.5
	Marketing	3	7.3	7.3	87.8
	Staff	1	2.4	2.4	90.2
	Working conditions	3	7.3	7.3	97.6
	Nothing	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

<b>Easy things</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Expertise	12	29.3	29.3	29.3
	Enthusiasm	5	12.2	12.2	41.5
	Capital	2	4.9	4.9	46.3
	Growth opportunity	6	14.6	14.6	61.0
	BEE	1	2.4	2.4	63.4
	Premises	2	4.9	4.9	68.3
	Co-operation	3	7.3	7.3	75.6
	Keeping records	1	2.4	2.4	78.0
	Nothing	8	19.5	19.5	97.6
	Equipment	1	2.4	2.4	100.0
Total	41	100.0	100.0		

<b>Received loans</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	14	34.1	34.1	34.1
	Yes from bank	8	19.5	19.5	53.7
	Yes from other institution	13	31.7	31.7	85.4
	Yes from people	6	14.6	14.6	100.0
	Total	41	100.0	100.0	

<b>Paid loans</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	21	51.2	51.2	51.2
	No	5	12.2	12.2	63.4
	N/A	15	36.6	36.6	100.0
	Total	41	100.0	100.0	

<b>Biggest step forward</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Premises	2	4.9	4.9	4.9
	Marketing	5	12.2	12.2	17.1
	Decision to start	8	19.5	19.5	36.6
	Capital	4	9.8	9.8	46.3
	Winning tender	2	4.9	4.9	51.2
	Getting contract	4	9.8	9.8	61.0
	Growth opportunity	5	12.2	12.2	73.2
	Asset acquisition	6	14.6	14.6	87.8
	Preferred supplier status	3	7.3	7.3	95.1
	Accumulating stock	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

<b>Won tenders and contracts</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	11	26.8	26.8	26.8
	Yes a tender	2	4.9	4.9	31.7
	Yes a contract	19	46.3	46.3	78.0
	Yes both	3	7.3	7.3	85.4
	NA	5	12.2	12.2	97.6
	Application made	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

<b>Has income grown</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	34	82.9	82.9	82.9
	No	5	12.2	12.2	95.1
	Uncertain	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

<b>Making enough to invest</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	24	58.5	58.5	58.5
	No	17	41.5	41.5	100.0
	Total	41	100.0	100.0	

<b>Business successful</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	80.5	80.5	80.5
	No	1	2.4	2.4	82.9
	Not Yet	7	17.1	17.1	100.0
	Total	41	100.0	100.0	

<b>Why business successful</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Still in business	12	29.3	29.3	29.3
	Customer satisfaction	10	24.4	24.4	53.7
	Income increase	6	14.6	14.6	68.3
	Business confidence	9	22.0	22.0	90.2
	N/A	4	9.8	9.8	100.0
	Total	41	100.0	100.0	

<b>Major setbacks experienced</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Capital	4	9.8	9.8	9.8
	Cash flow	8	19.5	19.5	29.3
	Marketing	3	7.3	7.3	36.6
	Personal	4	9.8	9.8	46.3
	Premises	3	7.3	7.3	53.7
	Loss of equipment	3	7.3	7.3	61.0
	Staff	4	9.8	9.8	70.7
	Discrimination	5	12.2	12.2	82.9
	Crime	1	2.4	2.4	85.4
	Rising costs	2	4.9	4.9	90.2
	Loss of stock	1	2.4	2.4	92.7
	None	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

<b>Where did you seek help</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Red Door	14	34.1	35.0	35.0
	Friend/Colleague	3	7.3	7.5	42.5
	Self handled	10	24.4	25.0	67.5
	Other Businesses	4	9.8	10.0	77.5
	Municipality	2	4.9	5.0	82.5
	Nowhere	5	12.2	12.5	95.0
	Other	1	2.4	2.5	97.5
	N/A	1	2.4	2.5	100.0
	Total	40	97.6	100.0	
Missing	System	1	2.4		
Total		41	100.0		

<b>Who helped</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Red Door	13	31.7	31.7	31.7
	Friend/Colleague/Family	7	17.1	17.1	48.8
	Other Businesses	3	7.3	7.3	56.1
	Received training	1	2.4	2.4	58.5
	Self help	9	22.0	22.0	80.5
	No help	7	17.1	17.1	97.6
	N/A	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

<b>How you know about RD</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Word of mouth	20	48.8	48.8	48.8
	Media	10	24.4	24.4	73.2
	Saw office	8	19.5	19.5	92.7
	Via SEDA	1	2.4	2.4	95.1
	Other Businesses	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

<b>What were you looking for</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Start up advice	10	24.4	24.4	24.4
	Company registration	9	22.0	22.0	46.3
	Start up capital	8	19.5	19.5	65.9
	Working capital	6	14.6	14.6	80.5
	Training	1	2.4	2.4	82.9
	Drawing Bus documents	3	7.3	7.3	90.2
	Tender form assistance	2	4.9	4.9	95.1
	Prefered supplier status	2	4.9	4.9	100.0
Total	41	100.0	100.0		

<b>What was offered</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Advice	3	7.3	7.3	7.3
	Business registration	10	24.4	24.4	31.7
	Business documents	13	31.7	31.7	63.4
	Training	4	9.8	9.8	73.2
	Loan application	6	14.6	14.6	87.8
	Database registration	1	2.4	2.4	90.2
	Business networking	2	4.9	4.9	95.1
	No help	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

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<b>Often back at RD</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Often	33	80.5	80.5	80.5
	Seldom	8	19.5	19.5	100.0
	Total	41	100.0	100.0	

<b>Made networks</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	24	58.5	58.5	58.5
	No	17	41.5	41.5	100.0
	Total	41	100.0	100.0	

<b>Networks helped</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	39.0	39.0	39.0
	No	10	24.4	24.4	63.4
	N/A	15	36.6	36.6	100.0
	Total	41	100.0	100.0	

RD help with finance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes with bank	7	17.1	17.1	17.1
	Yes with other finance institution	17	41.5	41.5	58.5
	No	17	41.5	41.5	100.0
	Total	41	100.0	100.0	

RD help with tenders					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	9	22.0	22.0	22.0
	No	23	56.1	56.1	78.0
	Application made	9	22.0	22.0	100.0
	Total	41	100.0	100.0	

Important thing received					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business Reg	9	22.0	22.0	22.0
	Business Docs	6	14.6	14.6	36.6
	Access to finance	3	7.3	7.3	43.9
	Advice	12	29.3	29.3	73.2
	Help	4	9.8	9.8	82.9
	Training	2	4.9	4.9	87.8
	Admin	1	2.4	2.4	90.2
	Database Reg	1	2.4	2.4	92.7
	No help	2	4.9	4.9	97.6
	Marketing	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

<b>Your biggest problem at the moment</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance	21	51.2	51.2	51.2
	Premises	5	12.2	12.2	63.4
	New Tech	1	2.4	2.4	65.9
	Marketing	5	12.2	12.2	78.0
	Lack of equipment	6	14.6	14.6	92.7
	Discrimination	1	2.4	2.4	95.1
	Staff	1	2.4	2.4	97.6
	Client's poor Bus practice	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

<b>Can RD help</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	26.8	26.8	26.8
	No	10	24.4	24.4	51.2
	Possibly	19	46.3	46.3	97.6
	N/A	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

Has RD been told					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	27	65.9	65.9	65.9
	No	14	34.1	34.1	100.0
	Total	41	100.0	100.0	

What is RD response					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial Assist	3	7.3	7.3	7.3
	Advice	21	51.2	51.2	58.5
	Training	1	2.4	2.4	61.0
	No help	4	9.8	9.8	70.7
	N/A	12	29.3	29.3	100.0
	Total	41	100.0	100.0	

<b>What can you suggest</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Direct finance	5	12.2	12.2	12.2
	More professionalism	8	19.5	19.5	31.7
	Tender assistance	1	2.4	2.4	34.1
	Network opportunities	3	7.3	7.3	41.5
	More computers	3	7.3	7.3	48.8
	More follow-up	5	12.2	12.2	61.0
	Increase RD visibility	3	7.3	7.3	68.3
	Need specialist advice	3	7.3	7.3	75.6
	Need to provide market information	3	7.3	7.3	82.9
	Need more advisers	2	4.9	4.9	87.8
	No suggestions	5	12.2	12.2	100.0
	Total	41	100.0	100.0	

<b>What can you contribute</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Recommend RD to others	20	48.8	48.8	48.8
	Advice, support and skills	18	43.9	43.9	92.7
	No contribution	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

Appendix 3  
Cross Tabulation

Most difficult things * Easy things Crosstabulation											
		Easy things									
		My capacity	Capital	Growth opportunity	BE E	Premises	Co-operation	Keeping records	Nothing	Equipment	Total
Most difficult things	Capital	10	0	3	1	1	1	1	4	0	21
	Competition	0	1	0	0	0	0	0	0	0	1
	Premises	1	0	0	0	0	0	0	1	0	2
	Pricing	0	0	0	0	0	0	0	1	0	1
	Stock costs	1	0	0	0	0	0	0	0	0	1
	Discrimination	0	1	1	0	0	0	0	0	0	2
	Equipment	2	0	1	0	1	0	0	1	0	5
	Marketing	2	0	0	0	0	0	0	1	0	3
	Staff	0	0	0	0	0	0	0	0	1	1
	Working conditions	1	0	1	0	0	1	0	0	0	3
	Nothing	0	0	0	0	0	1	0	0	0	1
	Total	17	2	6	1	2	3	1	8	1	41