

Opinions on entrepreneurship development: ensuring maximum return on investment

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Abstract

As a developing country with an unacceptably high unemployment rate, mass migration from rural areas to cities and increasing impoverishment of rural communities, South Africa is in dire need to develop entrepreneurs, especially for small, micro and medium enterprises (SMME's).

Funding for entrepreneurship development is readily available from government agencies as well as from overseas donors. However, available funds often remain unspent, or when utilised offer little in the way of creating jobs and alleviating poverty.

When the Graduate School of Business of the North West University (Mafikeng campus) was offered funds for running an entrepreneurship development project in the rural areas of the North West Province, the Executive Director of the Business School was determined that the project should be well planned, soundly implemented and that strict control would be exercised.

Now, three years since the start of the project, considerable success can be reported, but perhaps more important than the successful completion of the project are the valuable experiences and insights gained during the management of the project. These experiences and insights may serve as guidelines to those who embark on similar projects in order to ensure that they too get maximum return on their investment.

Introduction

When the Graduate School of Business of the North West University (Mafikeng campus) received a grant of R1,5 million (over three years) for

running an entrepreneurship development project in the rural areas of the North West Province, the challenge was to come up with an approach different to those that previously met with little or no success.

The following discussion is a case study of the project from initiation to conclusion, and offers some insights into the procedures followed and the experiences gained in managing the project.

The approaches used, and the procedures followed proved valuable in ensuring the successful completion of the project, and may thus serve as guidelines to future managers of entrepreneurship development projects.

Planning

In planning the project it was decided to train and develop regional trainers rather than to train and develop entrepreneurs directly. The reason for this decision was twofold: one, it was argued that trainees would need support on an ongoing basis, and two, it made sense from a management point of view to have one or more representatives for each identified region. A further benefit of this approach was that regional trainers were developed as regional consultants of entrepreneurship, and had a chance of establishing themselves as such over the three years' duration of the project.

As the grant was intended for the development of entrepreneurs in rural areas, industrially developed areas like Rustenburg, Potchefstroom and Klerksdorp were excluded from the target areas. In all, seven of the less industrially developed towns were identified, namely Ganyesa, Kuruman, Lichtenburg/Itsoseng, Mafikeng, Taung and Zeerust/Lehurutse.

From the outset, the project was planned to proceed in three phases:

- Phase 1: selection and training of regional trainers.
- Phase 2: selection of 10-15 trainees per regional trainer; linkage and start-up.
- Phase 3: monitoring, development and mentoring and after-care.

Planning also included budgeting for each region, and deciding on administrative procedures.

Regional trainers were to be tasked with the selection of trainees at a ratio

of 70% potential entrepreneurs to 30% operating entrepreneurs, and also to render a consulting service to those entrepreneurs experiencing problems but who were not part of the project.

Selection

Nominations for regional trainer positions were obtained from officials of the North West Development Corporation, because of their involvement in SMME development in the province. Those nominated were interviewed by three representatives of the Graduate School of Business. The main criterion for selection was knowledge and experience of business, as well as the ability to train and advise potential entrepreneurs. The objective was to select two regional trainers per region, and this was realised with the exception of Ganyesa and Zeerust/Lehurutse.

Once the regional trainers were selected and trained, they were called upon to select trainees (annually) in their respective regions.

Training and development

Members of the Graduate School of Business offering the “training the trainer” course for the regional trainers first attended a course in entrepreneurship at the Small Business Advisory Buro (Potchefstroom campus of North West University).

A 10-day initial training course in basic entrepreneurship was offered at the Graduate School of Business for the 12 regional trainers. The core texts used for the course was “Succeed in Business” as well as “How to start your own Business” (Juta Publishers). They were selected because they are excellent basic texts with a strong experiential learning bias. Some of the topics addressed are: planning the business, can you make a profit?, money matters, managing your business and how to write a business plan.

Back in their regions, the regional trainers ran weekly training sessions for the regional trainees.

Four members of staff from the Business School and the Faculty of Commerce and Administration formed a monitoring and development panel. They visited the regions once every six weeks throughout the year. Some visits were

unannounced (for monitoring purposes), while others were per appointment. The latter visits took the form of workshops where further training and development took place. Particularly useful during these sessions were the screening of five videos in the series “Ace’s Apples”. These videos cover the financial aspects of small business, human resource matters, and customer service and in the final video major issues are highlighted. Trainees also have an opportunity to discuss their problems and to ask for advice.

Regional trainers further assisted trainees to compile business plans which are submitted for evaluation, and which will eventually be submitted to financial institutions should the trainee want to apply for financing.

At the end of each year of the project, a workshop and “graduation” ceremony was arranged for all participants, during which trainees received certificates of attendance from the Graduate School. Representatives of financial institutions, the Department of Labour, and the Department of Trade and Industry were also invited to this annual workshop.

Accountability and financial controls

Regional trainers were remunerated for selection, training, development of business plans, assisting trainees with registering businesses, travelling and coordination of workshops. Claims had to be accompanied by brief reports on the particular service rendered. All claims had to be submitted on claim forms, accompanied by signed attendance registers of trainees who attended training sessions, and payment had to be authorised by the Executive Director. Monitoring reports were further used to validate claims.

The Executive Director in turn submitted quarterly as well as annual reports to the funding institution.

All funds received were deposited into a restricted account and kept by the North West University Foundation as custodian. Two independent (external) audits were carried out annually; one by the University’s auditors and the other by the funding institution’s.

Successes and failures

The following successes can be reported at the end of the three years' duration of the project:

- Sixty new businesses were started.
- Approximately 250 new jobs were created, at an average cost of R2000 per job per annum.
- In total nine regional trainers were developed.
- A total of 125 trainees per annum were exposed to entrepreneurship development – a total of 375 trainees over the three years the project was in operation.
- The funding institution was satisfied with the return on its investment.
- Communities were made aware of the opportunities of entrepreneurship
- The lessons learned in managing the project are valuable whenever similar projects are undertaken.
- The approaches, processes and procedures established over the three year period may serve as a model for similar projects.
- An unexpected spin-off of the project was the opportunity to train the disabled in entrepreneurship at the Handicraft Centre (Itsoseng). In return they made their hall available as a venue for training.

Although it is felt that the project proved to be a resounding success, especially in terms of measured results and maximum return on investment, some shortcomings should be noted:

- At the conclusion of the project, no further funding could be procured, in spite of it making sense to proceed with the project.
- Although the North West Province is not the poorest of provinces, a project like this hardly scratches the surface in addressing the problems of poverty and unemployment.
- Only one female was developed as a regional trainer.
- In spite of the training in the development of business plans, financing of SMME's remains a problem.
- Two of the developed regional trainers had to be dismissed on the grounds of poor performance.

The future of the project

The entrepreneurship development project came to an end in March 2004.

Although the Executive Director presented the funding institution with some convincing reasons for the continuance of the project, it was turned down because no further funding was budgeted for. The reasons given for continuing the project were that:

- Regional trainers were developed and established in the seven regions, and could go to waste if the project was terminated.
- A dire need for entrepreneurship development and for support agents were established.
- The Graduate School of Business proved that it had the capacity to manage the project effectively.

Should further funding be acquired, it is envisaged to adjust the development programme to include:

- Franchising.
- Tendering procedures and processes.
- Supply chain management.

Conclusion

What made this project different from similar projects being run in the province?

The answer lies in the management and developmental approaches used:

- Instead of training potential entrepreneurs directly, trainers and consultants were trained.
- Trainees were trained close to their homes and the location of proposed businesses.
- Trainers were from the regions, and had an intimate knowledge of their trainees as well as of the prevailing conditions.
- A process of monitoring, follow-up, feedback and coaching was followed.
- Strict financial control was exercised.
- Regional trainers provided a support base for trainees.
- Training was augmented with ongoing development.

The project has proven that promoting the establishment of SMME's could create jobs relatively cheaply, and the way to achieve this is through the development of entrepreneurs and potential entrepreneurs. This should however be undertaken on a much larger scale; the project described here should be seen as a pilot project, paving the way for similar projects on a national basis for rural areas.

Such an undertaking can only become a reality if the national government, the provincial government, local government and the private sector jointly coordinate and commit their efforts and resources as a matter of urgency.